

## ABSTRACT OF THE THESIS

**“CORPORATE GOVERNANCE: MANAGEMENT PERSPECTIVES,  
ISSUES & PRACTICES AND CASE STUDIES WITH SPECIAL  
REFERENCE TO THE LISTED COMPANIES IN PUNE REGION.”**

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### **Significance of the Study**

Corporate Governance is concerned with establishing a system whereby the Directors are entrusted with duties and responsibilities in relation to the direction of the company's affairs. It is founded on a system of accountability primarily directed towards the shareholders and other stakeholders. An effective Corporate Governance system should provide mechanism for regulating directors' duties in order to restrain them from abusing their power and to ensure that they act in the best interests of the company in its broad sense. Corporate Governance is also concerned with the ethics, values and morals of a company and its directors.

With the development of Trade, Commerce and Industry, the issue of Corporate Governance has become the focal point of the corporate

culture, corporate strategy and corporate operations. Good Corporate Governance enables to compete both nationally and internationally and prosper over the long term. In the industrial world, the significance of effective Corporate Governance for the most optimal use of resources has been recognized, both by Corporate and policy makers.

Corporate Governance is a current buzzword in India as well as the world over. Two of the main reasons for the upsurge are -first the economic liberalization and deregulation of industry and business and second, demand for the new corporate ethos and stricter compliance with the law of the land. One more factor that has been responsible for the sudden exposure of the corporate sector to the new paradigm for Corporate Governance, which is in tune with the changing times, is the demand for the greater accountability of the companies to their shareholders and customers.

Corporate Governance is not an end in itself but a means of achieving a stable long-term growth of a company for the long-term prosperity. There is no single model for good Corporate Governance. Depending on the size of the organization, nature of industry and competitive conditions in the market, good Corporate Governance model will have to be devised. Diverse Governance systems in different countries are evolved based on the respective historical, political, commercial, industrial, social and cultural factors.

Corporate Governance is a process or a set of systems and processes to ensure that company is managed to suit the best interests of all stakeholders. The stakeholders may be internal (Promoters, members workmen and executives) and external (shareholders, customers, lenders, dealers, vendors, bankers, community, government and regulators etc.). It is interplay between companies, shareholders, creditors, capital markets, financial sectors, Institutions and law. Corporate Governance is concerned

with the establishment of a system where by the Directors are entrusted with responsibilities and duties in relation to the directions of corporate affairs. Maximization of shareholders wealth is the cornerstone of good governance.

The concept of Corporate Governance hinges on total transparency, integrity and accountability of the management, which includes non-executive directors. The importance of Corporate Governance lies in its contribution both to business prosperity and to accountability.

Significance of this Study lies in understanding and appreciating as to how board of directors achieves balance among various stakeholder's interests by adopting principles and practices of corporate governance.

## **Research Design**

In order to make research study focused it was decided that the principles and practices of corporate governance followed by the listed companies in Pune region be studied and accordingly it was further decided that out of the total 120 companies listed in Pune region (which broadly means Pune section/ area/ division without definite boundaries) 20 companies were selected for the in-depth study.

In order to collect primary data the questionnaires were circulated to the company directors and other professionals (total no approximately 225). The researcher also interviewed approximately number is 20 (11.25%). After follow up with the company directors, replies to the questionnaires were received from above 25 directors (12.5% of the directors to whom the questionnaires were sent)

Annual reports of the companies covered in the Study contain corporate governance report as prescribed in Clause 49 and the important contents of these reports have been covered in the present research study

to enable understanding compliance thereof. Moreover it helps comparative Study of these compliances.

## **Objectives of this Research**

With a view to study various aspects of Corporate Governance with special reference to management perspectives, issues and practices, the present study has been undertaken by the Researcher. In order to make the focus of study sharp, the following objectives have been formed.

- 1) To review as to how the concept of Corporate Governance is evolved and developed in the Indian context.
- 2) Whether legal provisions will bring about effective Corporate Governance in principle and practice?
- 3) Should Corporate Governance provisions be voluntary or mandatory or partly mandatory and partly voluntary?
- 4) Has it really achieved its objectives of efficiency, transparency, accountability and value addition?
- 5) How to achieve balance among the interests of various stakeholders?

## **Hypotheses**

In accordance with the above-mentioned objectives, the following hypotheses have been framed

- 1) Corporate Governance is a powerful tool for building trust and long-term relationship with stakeholders through Company's thrust on honesty, care, transparency, integrity, accountability, fairness and disclosures.
- 2) Good corporate governance will achieve balance among apparent conflicting interests of various stakeholders viz. promoters, shareholders,

directors, employees, customers, creditors, bank society and government etc.

3) Corporate governance creates credible, competent, creative, committed and caring corporate citizen.

### **Limitations of the study**

1) The base for the present research study is mainly Corporate Governance reports, which form part of the compliance of Clause 49 of the listing agreement and are covered in the annual reports of the relevant companies. It is assumed that the data reported therein is true and correct. The assumption may be challengeable assumption as the audited financial statements of various organizations are under allegations. The world famous auditing firms like Price Water House WorldCom, Xerox Corporation, Enron etc. Independence of the auditors and dependability and reliability of the audited financial statements is being challenged. Transparency is one of the major criteria of Corporate Governance. In the personal interviews the interviewees have claimed that their annual reports are transparent enough as contemplated in Clause 49.

2) Despite the persistent efforts of the researcher, the primary data through the replies to the questionnaires was secured only to the extent of 12.5% of the total number of company directors to whom the questionnaires were sent. If this percentage could have been much higher than what it is, conclusions of the research study might have been different. However, it could also be true that same conclusions would have been confirmed.

### **Outline of the Thesis**

The thesis is divided into the following chapters, the brief contents of each one of them are given in the following paragraphs –

## **Chapter – 1**

### **Overview Of Corporate Governance**

This chapter covers evolution of Corporate Governance including the concept of Corporate Governance, different definitions of Corporate Governance, need and process of Corporate Governance and also Corporate Governance in Indian environment.

## **Chapter - 2**

### **Objectives, Hypothesis And Research Design**

While objectives and hypotheses have been narrated hereinabove, research design is discussed in this chapter, which covers type of research, sources of primary and secondary data, research tools, scope universe & sample and limitations of the study.

## **Chapter - 3**

### **Review Of Literature**

A review of the available literature is taken in this chapter, which provides framework for the present research. This covers reports of various committees on corporate governance, J J Irani committee report and the recent thesis relating to corporate governance

## **Chapter - 4**

### **Board Of Directors and Independent Directors Vis-à-vis Corporate Governance**

Strategic role of board of directors, and independent directors vis-à-vis Corporate Governance principles and practices is discussed in this chapter. It also covers the crucial role of independent directors and their

contribution in the decision making of the board. Evaluation of the position of nominee directors of financial institutions is done along with that of independent directors in this chapter.

## **Chapter No. 5**

### **Audit Committees & Other Board Committees**

One of the key features of Corporate Governance is audit committee. In fact it is the corner stone of Corporate Governance. Historical development, purpose, role, powers, responsibility and importance of audit committee are explained in this chapter.

In section II of the chapter board committees other than audit committees to which board of directors delegate powers relating to different functions are explained.

## **Chapter - 6**

### **Perspectives Of Corporate Governance**

Different perspectives of Corporate Governance are explained in detail in this chapter. These perspectives are classified as shareholder - control perspective, management - control perspective or stakeholder - control perspective. The focuses of these perspectives indicate emphasis on different modes of control in any organization.

## **Chapter No. 7**

### **Important Issues In Corporate Governance**

Issues relating to Corporate Governance are wide, significant and vital and they are interdependent and involved in each other. Each of the issues explained in the chapter has a different priority in each of the corporates. Thirty (30) important issues are discussed in detail in this

chapter. Taking care of **these** issues will enhance the efficiency of Corporate Governance.

In section II whistle blower policy, which is an important feature of Corporate Governance is discussed from the point of view of its practice and its compliance as a non-mandatory requirement of Clause 49.

In section III **important** aspects of corporate social responsibility have been elucidated

In section IV **international** Corporate Governance practices and comparative study of such practices in various countries is made.

## **Chapter – 8**

### **Survey, analysis and observations on the primary data**

Analysis of primary data received through questionnaires is prepared in this chapter. There is general consensus that Corporate Governance disclosures should be mandatory. More than 200 questionnaires were circulated. Almost 25 professionals (including directors) replied. All have accepted the benefits of positive features of corporate governance like transparency, accountability, fairness, enhancement of efficiency and legality.

## **Chapter- 9**

### **Stakeholders and balancing process of stakeholders' interests**

The term stakeholder is a very broad term. It includes practically every constituent, which **supports** and helps the Company to run the business. Although each of **these** stakeholders is expected to support various activities in the **business**, their interests **may turn out to be** conflicting with each other. Major stakeholders are – promoters, directors, shareholders, customers, bankers, government and society etc. Different



stakeholders have different concerns and different priorities. For instance charging of higher prices for the products of necessity and in demand may result in higher profitability but the customers have to bear additional burden of higher prices.

Principles and practices of Corporate Governance should bring about balancing apparent conflicting interests of all stakeholders and this is the real challenge for the board of directors.

## **Chapter 10**

### **Findings, Conclusions & Recommendations**

Today, adopting good corporate governance practices has emerged as an integral element for doing business. It is not only a sine qua non for facing intense competition for sustainable growth in the emerging global business scenario but is also an embodiment of the parameters of fairness, accountability and transparency to maximize value for the stakeholders.

Following are the important findings, conclusions and recommendations: -

#### **Findings**

1) In India, corporate governance standards for listed companies are regulated by the Securities and Exchange Board of India (SEBI) through Clause 49 of the listing agreement of Stock Exchanges. SEBI issued circulars from time to time since 21<sup>st</sup> February 2000 to ensure compliance of various requirements in terms of corporate governance.

2) Companies coming under the purview of Clause 49 broadly comply with the statutory requirements. However a very few companies go beyond Clause 49 to follow the principles of Corporate Governance viz. - – accountability, transparency, fairness, efficiency, flexibility and above all legality and integrity.

3) Corporate governance from the futuristic point of view have great role to play. The view that corporate governance should go beyond statutory requirements is now being fast appreciated but not being put into practice as is evident from the corporate governance reports in the annual reports of the companies. The time will come when disclosures requirements will become wider than what they are today and transparency may come out of statutory requirements, which should, in fact, come voluntarily.

## Conclusions

1) Accountability, transparency, honesty, objectivity, fairness, equity, efficiency, flexibility, timely disclosures, legality and above all integrity are the cardinal principles of corporate governance.

2) With increase in interdependence and free trade among countries and citizens across the globe, internationally accepted corporate governance standards are of paramount importance for Indian companies seeking to distinguish themselves in the global footprint.

3) Corporate governance should help transforming ideas into viable and creative solutions, vibrant working environment, fulfillment of aspirations of not only the employees but also other stakeholders, particularly providing consistently high returns to shareholders.

4) The Board of Directors and Management have to face the challenge of maintaining balance and equilibrium between all stakeholders to meet the goal of 'justice to all stakeholders'.

5) Corporate Governance should create credible, competent, creative, committed and caring corporate citizen.

## Recommendations

1) Corporate governance is a continuous unending journey. In fact it is a way of life and not set of rules. Since it is associated with all stakeholders and not only shareholders, it should be all about a genuine concern and care for the over all well being and welfare of all constituents of the systems.

2) Corporate governance should become a culture of organization. Taking into consideration the Indian traditions and varied culture in different parts of the country, to follow blindly some of the corporate governance principles popular abroad will be a frustrating exercise. What is typically suitable for the Indian culture will have to be tailor –made.

3) Values of Performance Excellence, Leading Edge Knowledge, Nurturance, Customer Orientation and Intellectual Honesty constitute the platform for promoting a harmonious environment for the growth and responsiveness to the interests of its various stakeholders.

4) If the corporate governance is pillared on the values of true understanding, true efforts and true commitment in every endeavor, small or big, it will lead to global foothold getting stronger with every passing moment.

5) Only **well-nourished** systems and practices of corporate governance will transform the industrial society of our country into knowledge-powered society to take India to the top position in the developed nations **by 2020, if** not earlier.



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