CHAPTER-I
INTRODUCTION

Today everyone is talking about good corporate Governance. No one in corporate world will deny its existence. Good corporate governance ensures transparency and accountability and ensures effective investment in corporate world. This Topic was not in Vocabulary a few years ago. Governance implies a degree of control to be exercised by every Stakeholders representative. Governance is merely Governing. It is not merely ownership. Even an owner has to govern. Good Governance implies that the institution is run for the optimal benefit of stakeholder in it. It attempts to remove corporate failures and dissatisfaction of its stakeholders. In the modern era of liberalization and globalization, corporate governance plays an important role. Since reliance on corporate sector has increased, it led to greater concern on how corporations operate and control and how supplies of fund are assured of fair return on their investments. Corporate governance aims to achieve balance between all interests present in corporations: management, shareholders and other stakeholders. The corporate governance frameworks ensure that timely and accurate disclosure is made on all material matter regarding the corporation, including the financial situation, performance and ownership. It ensure that corporate managers run their successfully and take care of long term interests of their stakeholders. It improves capital efficiency of companies and attempt to deploy their wealth in productive areas of economy.

As ownership of a company is distributed amongst a large number of shareholders. Majority of who hold a small percentage of company’s capital, the company is managed by the elected board of directors and the chairperson who, with the help of managers and employees of firm look after interests of the company stakeholders. The top level managers have the prime responsibility to use organization’s resource with commitment and dedication to ensure organizational success.
The word corporate Governance is not just Corporate Management. It is something much broader to include a fair, efficient, accountable, transparent administration to meet certain well defined, objectives. It is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers, and complying with the legal and regulatory requirements, apart from meeting environmental and local needs. It includes the law governing the formation of firms, the structure of firms. The corporate governance structure defines the rights, responsibility of three groups of participants – The Board of directors, managers and shareholders. Corporate governance lays down the rules and procedure for making decision on corporate affairs. It also provides the structure through which the company objectives are set. The fundamental object of corporate governance is to ensure the conditions whereby a company directors and management act in the interests of the firm and its shareholders, and to ensure the means by which managers are held accountable to capital providers for the use of assets. Whereas corporate management deals with the management (Planning, organizing, etc) of corporate enterprises with in a framework of its governance. It deals with the use of corporate resources so that maximum value addition is made to corporate wealth within broad parameters defined in corporate governance.

Corporate governance is about commitment to values and about ethical business conduct. It is about how an organization is managed. It includes its corporate and other structures, its culture, policies and the manner in which it deals with various shareholders. Therefore timely and accurate disclosing the of information regarding financial situation, performance, ownership and governance of company is an important part of corporate governance.

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1. Prof Dr Dharmesh Shah, “corporate Governance: Transparency & Disclousuer”
2. “Dr Neeru Vasishth and Dr Namita Rajput”, Taxmann’s corporate governance values and ethics with case studies, January 2010, p-4.
3. Ibid.
4. Ibid.
Well functioning financial market is essential part of any modern healthy economy. It is through this market that funds are offered by the lender, saver who have excess funds and purchased by the borrowers/spenders who need those fund. Financial market in India consists of money market, Government securities, capital market, insurance market, and the foreign exchange Market. Recently derivative markets have also emerged. It is only through financial market that various companies raises finance by issuance of shares, debentures. Public company issue prospectus for raising finance, whereas private companies cannot raise the finance from public. Even government, when it wants to raise long term finance it will often sell bonds to the capital markets. Capital market can be distinguished from money market. Though both are the part of financial market. However The money market are used for the raising of short term finance, sometimes for loans that are expected to be paid back as early as overnight Whereas the capital markets are used for the raising of long term finance, such as the purchase of shares, or for loans that are not expected to be fully paid back for at least a year. Funds borrowed from the money markets are typically used for general operating expenses. When a company borrows from the primary capital markets, often the purpose is to invest in additional physical capital goods, which will be used to help increase its income. It can take many months or years before the investment generates sufficient return to pay back its cost, and hence the finance is long term.

Till the early 1990s most of financial markets were characterized by controls over the pricing of financial assets restrictions on flows or transactions, barrier to entry, low liquidity and high transaction costs. These characteristics came in way of development of markets and allocative efficiently of resources channeled through them. From 1991 onwards, financial market reforms have been emphasized the strengthening of the price discovery process easing restrictions on transactions, reducing transaction costs and enhancing systematic liquidity.

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6 Ibid.
Now a day’s trading in shares debenture can be done through electronic form that is through computer. PAN has been made mandatory in order to strengthen the “Know your client” norms and to have sound audit trail of transactions in securities market. Various credit rating agencies such as Credit Rating Information services of India Ltd. (CRISIL – 1988), Investment Information and credit Rating Agency of India Ltd. (ICRA – 1991), etc. were set up to meet the emerging needs of capital market. They also help merchant bankers, brokers, regulatory authorities, etc. in discharging their functions related to debt issues. Now Indian companies are allowed to access global finance market and benefit from the lower cost of funds. They have been permitted to raise resources through issue of American Depository Receipts (ADRs), Global Depository Receipts (GDRs), Foreign Currency Convertible Bonds (FCCBs) and External Commercial Borrowings (ECBs). Further Indian financial system is opened up for investments of foreign funds through Non-Resident Indians (NRIs), Foreign Institutional investors (FIIs), and Overseas Corporate Bodies (OCBs). Mutual Funds are an important avenue through which households participate in the securities market. As an investment intermediary, mutual funds offer a variety of services to small investors. SEBI has the authority to lay down guidelines and supervise and regulate the working of mutual funds.

Financial market allows the interaction of buyer and sellers to determine the price and the price conveys important information about the prospects of issuer. Financial market is the mechanism for buying and selling the instruments that transfer risk between buyer and seller. Financial sector has the potential to generate million of much needed jobs and multiplier effect on economic growth. A robust financial system could not be considered good if most people don’t have access to it. Financial inclusion, which means providing not just basic banking but also instruments to insure against adverse events, is a key priority in India. The absence of access to formal banking

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7 http://study-material4u.blogspot.in visited on 21st Sept 2014.
8 Ibid.
9 Ibid.
10 Ibid.
services, which affects more than one-third of poor households, leaves them vulnerable to informal intermediaries such as moneylenders. ?? our financial system suffer mainly three difficulties. First, the financial system is actually not working well in terms of providing adequate services to the majority of Indians, meeting the large-scale and sophisticated needs of large Indian corporate, or penetrating deeply enough to meet the needs of small and medium-sized enterprises\textsuperscript{11}. All of this will inevitably become a barrier to high growth. Second, the financial sector—if unleashed but with proper regulation—has the potential to generate millions of much-needed jobs and, more important, have an enormous multiplier effect on economic growth and the inclusiveness of the financial system\textsuperscript{12}. Third, in these uncertain times, financial stability is more important than ever to keep growth from being derailed by shocks hitting the system, especially from abroad\textsuperscript{13}.

No doubt from independence financial market has been reformed and everyone is aware of this fact. Before 1990 the financial market suffers from various weaknesses but after liberalization till date a lot of reform has been provided. Now the investors are investing their money in financial market. The age old concept of people belief that their money is only safe in bank has no relevancy in this era. They feel safe by investing their money in financial market. But the investment by the common people is only 2 or 3 percent. So why 98 or 97% of people are not interested in money in capital market. The problem with them is corporate frauds in India.

Moreover the Recognition of issues relating to good corporate governance is due to various frauds in market i.e Harshad Mehta fraud, Satyam fraud, Sahara estate corp fraud and Sharda Chit Fraud Fund etc. Every Year There is new fraud in corporate world. More importantly India is in top list of fraud. These frauds expose the loopholes in regulatory system and need to impose stringent penalty on defaulters. The fraud in Market affects not only the company’s reputation, the investor’s interest but also the development of

\textsuperscript{11} Raghuram Rajan and Eswar Parasad “New generation Financial Reform in India” by available on acuity.chicagobooth.edu visited on 20\textsuperscript{th} Sept 2014
\textsuperscript{12} Ibid
\textsuperscript{13} Ibid
country as if there will be scam then the common people would not invest in a company and hence there will be shortage of finance which in turn will affect development of the country. Like other countries India has also enacted various legislations and established various authorities to regulate the market and protect the interest of investors. This legislation will also ensure the accountability of Board of Directors, bring transparency. But despite of a lot of legislation fraud are rampant in India.

It is almost a truism that the adequacy and the quality of corporate governance shape the growth and the future of any capital market and economy. The concept of corporate governance has been attracting public attention for quite some time in India. The topic is no longer confined to the halls of academia and is increasingly finding acceptance for its relevance and underlying importance in the industry and capital markets\(^\text{14}\). Progressive firms in India have voluntarily put in place systems of good corporate governance. Internationally also, while this topic has been accepted for a long time, the financial crisis in emerging markets has led to renewed discussions and inevitably focussed them on the lack of corporate as well as governmental oversight\(^\text{15}\). The same applies to recent high-profile financial reporting failures even among firms in the developed economies. Focus on corporate governance and related issues is an inevitable outcome of a process, which leads firms to increasingly shift to financial markets as the pre-eminent source for capital. In the process, more and more people are recognizing that corporate governance is indispensable to effective market discipline. This growing consensus is both an enlightened and a realistic view. In an age where capital flows worldwide, just as quickly as information, a company that does not promote a culture of strong, independent oversight, risks its very stability and future health\(^\text{16}\). As a result, the link between a company's management, directors and its financial reporting system has never been more crucial. As the boards provide stewardship of companies, they play a significant role in their efficient functioning.

\(^{14}\) www.legalserviceindia.com visited on 23\textsuperscript{rd} march 2011

\(^{15}\) Ibid.

\(^{16}\) Ibid.
First attempt for corporate Governance was CII (confederation of Indian industry) code for Desirable corporate governance developed by committee chaired by Rahul bajaj. The Committee was formed in 1996 and submitted its code in April 1998. This was a set of voluntary code. The committee lays down a lot of guidelines for better corporate governance. Later on SEBI constituted committee to look into issue of corporate governance that was kumar Mangalam Birla which submitted its report in 2000 and which was later on incorporated by SEBI through the enactment of Clause 49 of listing agreement. Third committee was Naresh Chandra committee which submitted its report in 2002. The fourth was again By SEBI. Committee - i.e. Narayana Murthy committee, which also submitted its report in 2002. Based on some of recommendation of this committee, SEBI revised clause 49 of listing agreement in August 2003. However subsequently SEBI withdraw the revised clause and now the original clause is in force. The companies Act has been amended several times. The latter committee chaired by Dr j. j. Irani committee was charged with undertaking a comprehensive review of companies Act 1956 and its recommendation led to rewrite a new company amendment Bill, 2008. in 2009 SEBI brought out new rule. Now in 2009 SEBI has issued new guidelines for the protection of investor and to provide information to shareholder. The 2009 Guidelines required unlisted companies to list their securities at least at one stock exchange before making IPO. This provision is mandatory for all the companies. Further SEBI has directed stock exchanges to disclose details of complaints lodged by investors against trading members and companies listed on the exchange, on their website. These disclosures would also include details pertaining to arbitration and penal action against trading members. This is a welcome change and an important move to bring in more transparency in the grievance redress mechanism and make aware of complaint to the prospective shareholder and a company making a public offer can allot shares only to its own employees and not to employees of its parent organization or subsidiary under the employee quota\textsuperscript{17}. These all guidelines recognize the importance of investor Education and transparency in the system and to fix accountability.

\textsuperscript{17} Ibid.
Studies of firms in India and abroad have shown that markets and investors take notice of well-managed companies, respond positively to them, and reward such companies, with higher valuations. A common feature of such companies is that they have systems in place, which allow sufficient freedom to the boards and management to take decisions towards the progress of their companies and to innovate, while remaining within a framework of effective accountability. In other words they have a system of good corporate governance.

The shareholders of the company are vested with the power of 'hire and fire' of the Board of directors. This is so, to make the Board accountable to the shareholders of the company. In this regard, the general meeting of the company is considered as an important event where the individual shareholders discuss the way in which the company is being managed by the board. However, due to various factors shareholders do not utilize the forum of annual and other general meetings for majority of members do not attend the general meetings. Even those who attend are generally passive observers rather than active participants. The prime reason for the passivism is that shareholders have insufficient knowledge, information about the nature and impact of the decision taken by the management. Moreover, they have no incentive to participate in the operations or policy matter of the company.

Moreover, Individual shareholders in large companies hold a very small portion of shares they are not interested in the business operation or in the long-term goals of the company but arc rather interested in the maximization of their profits through either selling their shares or receiving dividends. Generally, they are not associated with any policy or decision making process of the company. They consider that due to small shareholding their votes would probably not count in anyway.

Therefore, one of the most significant features of the large public companies of the modem era is the attitude of passivism and non participation by shareholders in the management of the corporation. The non participation of shareholders in operational or policy matters of large companies is very costly due to their dispersed nature of

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18 Giles Proctor and Lilian Miles, "Corporate governance", Cavendish publishing limited, 2002,
ownership\. Moreover, they lack in information, experience, skill and incentives in making sound business decision in the interest of the corporation. They have power to approve or disprove very limited decisions of the board and the real power is vested in the members of the board of directors in respect of important decision making. This resulted into the establishment of a central body for the purpose of transmission of all such information, which could help in the decision-making process of the corporation\(^1\). For this purpose, shareholders irrevocably delegate decision making authority to some smaller group for the smooth running of the corporation. It leads to a principal-agent relationship and the board of director is obliged to act in the interest of shareholders and has a duty to maximize the shareholder's wealth.

Thus, for practical purpose, the management powers are vested in the Board of Directors, and the general meeting enjoys only very limited powers in administration and management. Its powers in this area are mainly regulatory. Thus there is transformation of shareholders from entrepreneurs into passive investors who transferred their economic interest to professional and skilled managers. The result of this separation of ownership and control is that law imposes fiduciary duties on the directors of the company to ensure that directors do not indulge in self seeking and other activities detrimental to the company or the shareholders.

Therefore, it is necessary to mitigate these agency conflicts and to promote harmony between the interest of shareholders and the managers of the corporation. The board of directors performs most important role in the organizational control of the corporation. They are delegated by the shareholders to exercise ultimate control over the top management of the

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\(^1\) In large corporations there is a dispersed shareholding pattern because these corporations require a large capital investment. It is not possible for a single or a handful of individuals to provide such a large amount of investment. Moreover, even such a wealthy individual would not invest his entire amount, as any prudent person would diversify his investment in several firms to mitigate risk. This has lead to dispersed shareholding in the large corporations.

corporation. The board exercises the control and authority to ratify and monitor major policy initiatives and to hire and fire, and set the remuneration of top-level managers whereas it delegates the power of initiation and implementation of the various decisions to the management. This mechanism prevents the management to deviate from the interest of the shareholders. Thus, the Board of director reduces agency conflicts by keeping the management (initiation and implementation) and control (ratification and monitoring) aspects of the decision-making process separate. Another important method to mitigate agency problem is to fix the accountability of the Board of the company through the mechanisms provided by statute under corporate law and corporate governance norms. For example, it is the fiduciary duty of the board of directors to exercise their powers honestly and in the interests of company and the shareholders. They are required to act in good faith. The statute also imposes several duties upon it which protect the interests of other stakeholders of the corporation. In addition to this, the corporate governance norms provide other mechanisms to enable the board to perform the monitoring role more efficiently, such as the provision of existence of independent directors and the audit committees. To prevent frauds in corporate world and maintain transparency and accountability a lot of legislation has been enacted and various regulatory bodies has been constituted to keep a watch upon capital market. On April 12, 1988, the Securities and Exchange Board of India (SEBI) was established with a dual objective of protecting the rights of small investors and regulating and developing the stock markets in India. In 1992, the Bombay Stock Exchange (BSE) the leading stock exchange in India witnessed the first major Scam mastermind by Harshad Mehta. Analysts unanimously felt that if more powers had been given to SEBI, the scam would not have happened. As a result, the Government of India brought in a separate legislation by the name

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21 Chenchuraaiah T. Bathala and Ramesh P. Rao, The Determinants of Board Composition: An agency theory perspective, Vol. 16, Managerial And Decision Economics, at 59

22 Id; See also Eugene F. Fama and Michael C Jeansen, Separation of Ownership and Control, Vol.26(2). Journal of Law and Economics, pp. 301-302. There is separation of decision and risk-bearing functions in the large corporations which is very helpful in the controlling the agency problem.
of 'SEBI Act 1992' and conferred statutory powers to it. Since then, SEBI had introduced several stock market reforms. These reforms significantly transformed the face of Indian stock markets SEBI introduced on-line trading and demat of shares which did away with the age-old paper-based trading, thus bringing more transparency into the trading system In spite of SEBI's capital market reforms and increasing regulatory powers over the years, it had failed in stopping Corporate frauds. In the ten years after the Mehta scam, several scams came to light, casting doubt on the efficiency of SEBI as a regulatory body and other regulatory body established under different act for preventing corporate Frauds. Recent corporate Fraud is of Sharda Chit Fund Fraud and Sahara Estate Corp fraud. It has once again raised a question mark on the existing law and its implementation. Here my subject of study is whether the existing laws for corporate world is sufficient or not and to highlight the loopholes in existing law that to suggest which reforms are necessary for preventing and control of corporate fraud.

Any corporate fraud is not only a blot on the name and business of the country but it has also adverse effect on the interests of the stakeholders, particularly the investors. It majority impacts the stock exchange of the country, having the potential to adversely affect its economy. For example in the aftermath of the Satyam crisis in India, 45,000 employees were left jobless, huge losses were incurred on the investors and creditors of the company, and the stock market collapsed with the Sensex falling by nearly 750 points. Moreover, such adverse impacts have also been witnessed on the existing as well as on the potential foreign investors, whose contribution is significant for the growth of a developing economy like India to the expansion of concept of corporate governance. Since then, efforts are being made by the regulators and the government to strengthen the corporate governance regime in India. The fundamental reason for the development of corporate governance in India is to hold company's manager accountable towards the capital providers of the company. Companies are generally interested in recovering the defrauded money rather than getting the culprit punished under the law. Moreover Only 14% of the fraud was detected through surveillance systems.
It seems counter-intuitive that we still detect most cases of fraud by being tipped off or by accident, even with advancement in technology and heightened regulatory activity. The incidence of fraud has increased in the country in this last one year. But the fact is that around two-thirds of the corporate frauds were unearthed because of legislations such as the Right to Information Act (RTI) and Public Interest Litigation (PIL) speaks volumes about public awareness in India. Moreover public is not aware of recent legislation. The Shareholders are only interested in getting dividend. They don’t enquire about the company before investing in the company. Even the situation become worst when most of the people even do not know the business of the company but these authorities have failed to perform duties imposed by statute. Some scholars are of view that now the problem of corporate fraud has been solved and now there would not be any case after the amendment of Companies act, 2013. But this fact also cannot be denied that Implementation of Act is one thing and its Enactment is another thing. Indian Penal Code was enacted in 1860 and many offences were created. Murder is one of such offence in IPC. Punishment which was provided was death sentence which is deterrent punishment. However everyone knows that our newspapers are full of incident of Murder. So the contention of Scholar that the topic has become outdated is not sustainable

Beside SEBI a lot of legislation has been enacted. Another act which regulates the security market is Security Contract (Regulation) Act, 1956. This Act was enacted with a view to regulate the market; mainly the secondary market i.e. the stock exchanges. Stock exchanges require greater degree of control since most of the transaction with regard to securities may tend to be speculative in the nature unless tightly regulated. There are various modes by which securities in the market are transacted. If the market, therefore, is not controlled, it would lead to only large scale gambling. The act endows the central government with sweeping power in respect of supervision and control of securities market. The Depository Act, 1996 which is another piece of legislation was enacted to ensure transparency and accountability which introduced paperless securities and eliminated all the risk which was
associated with physical securities. Now a person can buy or sell the securities within a few seconds. It provided liquidity in market. Besides these The Central Government has also introduced amendment in Companies Act in 2013. It made the appointment of 2/3 Independent Directors mandatory and a lot of authorities has been constituted under the Act. However we all know result is not satisfactory. Other Acts which regulate the corporate world are FEMA, RBI, and IRDA etc. Now by The Securities Law (Amendments) Act, 2014 judicial Power has been conferred upon SEBI. These powers are conferred so that SEBI could discharge its function properly and take timely action.

Now the question arises when there are so many legislation to prevent corporate fraud then what are the loopholes in existing laws? Despite establishment of various authorities like SEBI, Company law Board and by enactment of various law like Companies Act and by introducing various amendments various scandals has been committed which affect the whole society especially the investor. The spate of recent scandals reveals involvement of all the players. The Board fingers Management, Management blames the auditor and the auditor blame the rules. They all pass the buck on other making it difficult to fix accountability. Corporate India will never be the same again. What transpired in Satyam computers in culminating into the historic confession letter of former chairman B. Ramalinga Raju, admitting a fraud of Rs 78 billion has caused the regulators and the investors everywhere to re-examine the corporate governance standards. The multibillion dollar scam is unprecedented and idiosyncratic for more than one reason. The fact that company which was audited by one of the most prestigious audit firms and adopted most advanced accounting and transparent IFRS accounting systems much ahead of time can penetrate such a colossal and a global fraud is clearly eye opening for corporate counsel worldwide. It was triggered with Satyam’s bid to acquire Maytas companies for US$ 1.6 billion.23 This revealed the self aggrandizing policies of the promoters, which caused severe investor backlash.

23 www.economictimes.indiatimes.com
While there are adequate levels of checks and balances in the system to prevent frauds, it is the slack attitude of each institution responsible for upholding corporate governance that made such a fraud possible. Unless heavy fines and strict liabilities are provided for, if not in the statute then in the internal code of conduct, each of these institutions, namely the internal audit committee, the independent directors and the external auditors could continue to remain “rubber stamps” approbating all management actions. The Satyam scandal has reiterated the importance of checks on related party transactions. Stringent checks and balances on these ought to be incorporated into the Indian corporate and securities laws to prevent transactions like Maytas in future. Pending statutory incorporation, companies can incorporate adequate checks and balances in their code of conduct as a measure of ensuring good corporate governance. It is natural to expect an enhanced level of security of the financial and governance aspects of Indian companies, and to a lesser extent, any Asian-based companies. The role of corporate counsel will assume added pressures, with a higher emphasis on preventing frauds.

In the area of securities regulation, SEBI has made numerous changes in recent years including: revising and strengthening Clause 49 in relation to independent directors and audit committees; revising Clause 41 of the Listing Agreement on interim and annual financial results; and amending other listing rules to protect the interests of minority shareholders, for example in mergers and acquisitions. SEBI brought out new rules in 2009 requiring greater disclosure by promoters (i.e., controlling shareholders) of their shareholdings and any pledging of shares to third parties. And in November 2009 it announced it would be making some further changes to the Listing Agreement, including requiring listed companies to produce half yearly balance sheets. More recently, in December 2009, the Ministry of Corporate Affairs (MCA) published a new set of “Corporate Governance Voluntary Guidelines 2009”, designed to encourage companies to adopt better practices in the running of boards and board committees, the appointment and rotation of external auditors, and creating a whistle blowing mechanism.²⁴

In the current corporate governance practices it is required to focus on particular corporate governance mechanisms. There are two types of mechanism that resolve the conflicts among different corporate claim-holders, especially, the conflicts between owners and managers, and those between controlling shareholders and minority shareholders. The first type consists of various internal variables, e.g. (1) the ownership structure, (2) board of directors (3) executive compensation and (4) financial disclosure. The second includes external mechanism with variables, e.g. (1) effective takeover market, (2) legal infrastructure and (3) product market competition. “Good corporate governance practices are a sine qua non for sustainable business that aims at generating long term value to all its shareholders and other stakeholders”.

A more comprehensive review of corporate governance regulation and practices is required in India. While the new “Voluntary Guidelines 2009” provide helpful and detailed guidance to companies interested in developing a more effective board of directors yet lot of issues remain unattained and unanswered. Nor will the new Companies Act resolve these challenges.

Nomination committee can be advisably established comprising solely of independent directors or a majority of independent directors empowered to appoint the board and evaluate its performance. Although evaluation of performance is not yet mandatory under the extent of corporate governance regime yet it might yield a better result and in further course of time it should be made compulsory.

1.1 Aims and Objectives of the Study

It is said that identifying a problem is what gives us energy and focus to solve them as every problem has it the seeds of its own solution. The Statement specifies the need of defining the objective of this research. The objective of this research is to touch significant issues relating to corporate governance.

25 Corporate Governance Voluntary guidelines, 2009
The study focuses on the various legislation dealing with the corporate world. Other objective of this study is-

1. To analyse existing law dealing with corporate governance and their implementation.
2. To Highlight the Report of various committee for Good Governance
3. Study of Case law relating To Corporate fraud and reason behind those Fraud
4. Role of Existing Regulatory Authority for preventing corporate fraud
5. What are the effect of corporate fraud on the society
6. To point to possible options for resolving these problems and what is way forward for each issue.

1.2 Research Methodology

The methodology of research differs according to the subject. The study is doctrinal in nature. The relevant material is collected from primary and secondary sources. Material and information are collected from various National Enactments, Legal and other sources like published works, Law journals, national journals and websites on relevant topics. An attempt is made to analyse the existing law dealing with corporate world and to highlight the loopholes in existing System.

1.3 Chapters Scheme

The present research work has been divided into 7 chapters. CHAPTER-I as conventionally, deals with the Introduction. It articulates the importance, problems of the study, its aim and object. It introduces a conceptual background. It also describes the research methodology.

CHAPTER-II Describe the Corporate Governance and its need in present scenario and Report of Various Committee on Corporate governance and what is need and object of corporate Governance and its importance for
preventing corporate fraud. When there would be Good corporate Governance there would not be any fraud.

CHAPTER-III Deals with Corporate Securities in corporate dealt by various participants. The corporate fraud is committed in respect of security. Without defining corporate Securities the thesis would be a kite without its string. So the chapter defines the various types of securities and their advantage and disadvantage and the difference between these securities and which type of risk is attached to the security.

CHAPTER-IV Deals with Corporate Frauds in India. The chapter gives a overview of various frauds committed in India and reasons for these frauds and their effect upon the society. This chapter defines how the corporate fraud affects the whole society and why the common people try to avoid investing their money in market.

CHAPTER-V Deals with Financial Markets in India. It defines what are the factors which affect the financial Market. This chapter also defines Primary Market, Secondary Market their difference, listing of Securities and what the advantage of this listing is. It also defines derivates Market and Government security and importance of financial market in India.

CHAPTER-VI deals with Legislations and Regulatory Bodies for Prevention of Corporate Frauds in India. The reasons for the enactment of these act and its implementation and various authorities constituted under the act for preventing corporate frauds and their roles in corporate world.

CHAPTER-VII deals with Conclusion and Suggestions. Since attempt to present a clear picture of the research subject cannot be said to be complete without identifying the challenges to that field and the suggestion to overcome the deficiencies. I have made this humble effort to enlist few purposeful and relevant suggestions which emerged out of the analysis in previous chapter and finally in conclusion.