INTRODUCTION

Hence, in the dynamic environment, the prevailing system of corporate governance and economy needs to be analyzed on its strengths and weaknesses as well as the opportunities and threats which it provides, in order to make the regulator and authorities aware about its various issues which can lead to make appropriate reforms for better disclosure and compliance with code of best practices of corporate governance. Therefore, in the present chapter a SWOT analysis of the corporate governance practices has been carried out which in turn can help in framing future action plan for regulators, authorities, government and management for effective practices of corporate governance code. For the purpose of carrying out SWOT analysis, opinions and views of various executives, analysts have been taken into consideration.

STRENGTHS

The strengths relate to internal environment which gives power to achieve rewarding performance.

Following are some major strengths of corporate governance in India.

➢ Improved procedures and control:

According to the opinion of respondents, the first and foremost strength of corporate governance has been identified was that, it provides to create a systematic procedures and helps to develop an effective control system. It was also found that a robust corporate governance system results in improved procedures and controls. Mostly the management
teams strive to build inner resistance by placing internal controls and formulating a monitoring system to avoid any deviations.

- **Honesty and integrity:**

  Respondents believed that honesty and integrity was also considered as one of the strength of corporate governance. Good governance is not and should not be rule/code-based only but more importantly it hinges on the integrity and honesty of the directors to perform and carry out their duties and responsibilities.

- **Reduces risk and cost of capital:**

  The perceived risk and consequent cost impact on the capital is reduced by a sound corporate governance mechanism and therefore it enables the Board to be citius and forties in its decision making.

- **Improve overall performance:**

  Since sound corporate governance is indicative of integrity it consequently improves the overall performance of the corporation and instills confidence in the persons investing in the same upon faith.

- **Defined roles and duties:**

  It was the view and opinion of majority of the respondents that certainty and definitiveness in the roles and duties of the independent directors is sufficient enough to ensure compliance to notions of effective C.G as it is the Board which is at the helm
of managerial operations and responsible for the corporate governance norm compliances.

- **Flow of capital:**

As also discussed earlier, the fundamental and primary effect of a good corporate governance regime is the manifestation and projection of integrity of the corporate concerned therefore it ensure perinea flow of capital funds as investors- both domestic and foreign, find their investments to be safe.

- **Better resource allocation:**

A good corporate governance regime ensures proper and due resource allocation its management and consequently raises the return to capital.

- **Improve social and labor relationships:**

Sound corporate governance operates to remove the mistrust between the various stakeholders and in turn reduces the legal costs and improves the relationship between the management and the labor. IT also prompts the corporate sector to live up to the social responsibility dimension to their existence.

**WEAKNESSES**

Weaknesses create problems in working of any system to work effectively. Following are some basic weaknesses identified by the opinions of respondents of corporate governance mechanism.

- **Weak legal system:**

The weakness of existing law enforcement system leads to deviation in adherence to the corporate governance norms. It is because of the unresponsiveness of the legal
system to the just that the corporates find themselves helpless when they move the judicial system for effective and quick response to deviations. This leads to apathy for necessary compliances amongst the corporates

➢ **Lack of disclosure and transparency:**

Failure to adopt to the uniform accounting and auditing standards has also lead to a weak disclosure performance and is consequently a dimension to a weak corporate governance performance. This is fundamentally attributable to the weak self-regulatory mechanism within the concerned professional associations.

➢ **Objectives of C.G are themselves not clear:**

The majority of the directors are not oriented towards the acceptance of corporate governance requirements being the foundation of quality and responsible business entities. Such directors do not have clear vision and perception in this regards which makes it order of the day to train them in this regards and sensitize them to the extent that they accept a sound corporate governance norm adherence as pillar of corporate existence.

➢ **Lack of training to the directors:**

Sometimes Directors of a company are themselves not clear about what they are supposed to do under application of corporate governance. The mass of directors, in sufficient numbers to make difference to the performance of the economy should be trained enough. The training will lead to sufficient applicability of corporate governance.

➢ **Lack of Professionalization:**
Due to the fact that the corporate entities in India owe their genesis in the orthodox family business module, the transfer of management is generally by way of succession and not on the basis of merits and this peculiar situation leads to lack of professionalism in the management of the Indian corporates. This is also a major threat to the application and acceptance of quality corporate governance code amongst the Indian corporates.

OPPORTUNITES

“Opportunities are attractive areas for one’s action in which one would enjoy an advantage. An opportunity provides favorable environment to an organization or a nation, which enable it to consolidate and strengthen its position. The success of an organization depends on how it uses its strengths keeping opportunities in mind. For discussing India’s corporate governance opportunities the researcher reviewed available literature, researches, and reports. As already stated adopting and sustaining good corporate governance practices, a corporate not only can create values but also can reap opportunities by adherence to strict corporate governance codes, principles and standards, following are some of the major areas which can be explored by effective corporate governance practices.”

- **Enhance shareholders value:**

  Corporate governance safeguards the interest of the stakeholders and increases shareholder value by improving the corporate performance and accountability of BOD.

- **Improve company and market performance:**
Corporate governance practices provide an opportunity in improving company and market performance.

- **Generation of wealth:**

  “The global financial crisis has heightened the need for corporate boards of directors to provide well-informed strategic direction and engaged oversight that stretches beyond short-term financial performance. Doing so prepares companies to more comprehensively address risks, by anticipating potentially adverse impacts on people and the environment and managing tangible and reputational risks. It can also generate wealth by creating shareholder value through an increase in business opportunities and broader access to markets.”

- **Helps in safeguarding the investors:**

  A good C.G practice and its procedure leads to build and maintain investors confidence both at national and international level and in term leads to free flow of long term capital. The credibility of good corporate governance lead stable source of finance.

- **Long-term survival of companies:**

  The aim of good corporate governance is to ensure commitment of the board in managing the company in a transparent manner which ultimately leads to creating of long-term value of the company and also leads to long term survival of the companies which in turn is beneficial for its shareholders and all other partners.
Threats

If corporate governance mechanism is not applied in its true sense the corporates are bound to meet the following threats:

➢ **Challenge to global competition:**

Failure to place in, effective corporate governance code so as to ensure the removal of handicap of the Indian corporates in this regards and allow them a level playing field to compete with the global players poses a serious threat to the Indian corporate qua the global competition in view of liberalization and globalization.

➢ **Challenges of changes in the nature of business and change in the worldwide economy:**

Globalization has exposed the Indian economy to influences which were hitherto unknown to it such as worldwide competition and removal of controls qualitatively. These changes call for corresponding changes to brought about in the Corporate Governance dimension of the organization of the Indian corporate. The regulators have failed, though not miserably to place in, effective corporate governance code so as to ensure the removal of handicap of the Indian corporate in this regards and allow them a level playing field to compete with the global players.
- **High remuneration and low ethical norms:**

  The unreasonably excessive salaries, perquisites commissions and other remunerations being made over to the CEOs and other top managerial staff is intrinsically opposed to the principles of corporation aggregate and unethical as it is opposed to the interests of the shareholder in general and operates to decrease the shareholder value. This also leads the management into unethical practices and is also responsible for various scams.

- **Pressure of public opinion and investors for financial reporting and transparency:**

  The increased awareness amongst the masses towards information being supplied to them and frequent financial reporting about companies objectives and performance on them has led to enormous pressure on the management to ensure openness and transparency in their system which is major threat to corporate governance regime.

- **Weak judicial system:**

  Lack strict penalties and prosecution are major threats to the regime of sound corporate governance.
ACTION PLAN

The strength of corporate governance and its weaknesses have been identified through the SWOT analysis conducted; the said analysis also deals with the opportunities and the threat implications of the application of corporate governance. The regulators require to remove the weaknesses of corporate governance while strengthening the corporate governance practices through timely reforms. Few suggested reforms are:

1. Strengthening of the enforcement agencies entrusted with the supervision of compliance of the corporate governance compliances
2. Removal of ambiguities in the definitions of the terms employed in the corporate governance related laws
3. Safeguarding the rights of the shareholders and the concerned stakeholders.
4. Periodic scrutiny of the existing corporate governance policies.
5. Establishment of forum for redressal of grievances of the affected by the non-compliances of the corporate governance policies.
CONCLUSION

In this present study strength, weaknesses, opportunities and threats of corporate governance have been identified. Strength is an inherent capacity, which an organization / economy can use to gain strategic advantage over its competitors. The major strengths of corporate governance identified in India are improved procedures and controls, honesty and integrity, reduces risk and cost of capital and improves overall performance of the firm. Weaknesses are inherent limitations or constraints, which create problem for the system to work effectively. Some basic weaknesses identified by the opinions of respondents of corporate governance mechanism are weak legal system, lack of transparency and disclosure by the companies, absence of nomination committee and lack of training imparted to the directors.

An opportunity provides favorable environment to an organization or a nation, which enable it to consolidate and strengthen its position. Improves market performance, increase shareholders value and generation of wealth are some of the major areas which can be explored by effective corporate governance practices. If corporate governance mechanism is not applied in its true sense the corporate are bound to face the threats like pressure of public opinion and investors, challenge to global competition and challenge of changes in the nature of business and worldwide economy etc.

To remove the weaknesses of corporate governance prevailing in India an action plan has been suggested for government, regulatory bodies and for corporate. Action plan should includes adoption of legislative and other measures to improve accounting, auditing and reporting standards for companies and financial institutions, improving the legal and regulatory framework for corporate governance by removing the gaps and ambiguities in the definition of ‘rights and responsibilities’ of shareholders, directors and management and improving the oversight function and accountability of the Board and management etc.