FINDINGS OF THE STUDY

In order to have in depth knowledge of the subject and the work carried out by various researchers and academicians around the world, an extensive review of literature related to corporate governance disclosure was carried out in the second chapter. There has been sincere effort to review the available literature to have a proper insight as to the various aspects of cg in a wider perspective, various national and international work in the area of corporate governance was examined and it was observed that there has been ample work in the field of voluntary disclosures, failures and scandals, corporate governance attributes, corporate governance models etc.

In the third chapter a detailed discussion has been made to highlight the various provisions of clause49 as specified by SEBI in respect to corporate governance. The compliance of the various provisions of clause 49 related to corporate governance as laid down by SEBI by the selected companies under the study was carried out by developing a checklist. The findings of the study as regard to composition of board reveals that in only 13 companies viz. ACC, DLF, ICICI, M&M, HINDALCO, STERLITE, ITC, TCS, WIPRO, TATA MOTORS, TATA POWER, ONGC and HOUSING DEVE, (46%) the board of directors have an optimum combination of executive and non-executive directors. 17 companies do not compile the requirement of the provision. Sincerely only 15 companies viz. ACC, JP, REL COMM., M&M, GRASIM, MARUTI SUZUKI, TATA MOTORS, HINDALCO, STERLITE, TCS, TATA POWER, TATA STEEL, HIND UNI, REL INFRA, RANBAXY, and ICICI (50%) are meeting the requirement as regard to the chairman of the board being a non-executive director with not less than 1/3 of the board members are independent director. Only 10 companies i.e. REL IND, DLF, HOUSING DEVE, BHEL, SUN PHARMA, ITC, BHARTI, L&T, WIPRO and INFOSYS are meeting the requirement
of the provision-i.e. the chairman of the board is executive with not less than ½ of the board members are independent.

According to the provision stated by SEBI as regard to non-executive director’s compensation and disclosures, all the selected companies have constituted a remuneration and compensation committee. As regard to the other provisions as to board and committees framed by SEBI all the selected companies have met board meetings at least four times a year. The number of meetings held during the year varies between 4 to 13. The time gap of holding the meeting has never exceeded more than 3 months in any case in the selected companies.

The executives of the various companies have reported that the code of conduct for all board and senior management of the companies are developed and recommended by the corporate governance committee of the company.

The findings of the provision of audit committee states that with the exception of only two companies viz. RANBAXY and SBI, (6%) all other selected companies under the study have fulfilled the minimum requirement of three directors as members of the audit committee. The number of directors as members in the 28 companies (93%) ranged between 3-9. It was also reported that the independent directors and the chairman of all the companies were present at AGM to answer shareholders queries. It was also found that all the companies have held four meetings throughout the period of study. As regard to the time gap of meeting no disclosures in this reference was made by the audit committee.

During the period of study it was found that all the selected companies have fulfilled the requirement of powers and roles of audit committee as recommended by SEBI.

The findings of the analysis of the subsidiary companies depicts that only three companies (JP, ONGC & NTPC) (10%) have a material non-listed Indian subsidiary companies. While rest 27
companies (90%) have reported that they do not have any material non-listed Indian subsidiary companies. It has also been reported that the audit committee of all the selected companies generally reviews once in a year the financial statements and, in particular, the investments made by the listed and unlisted subsidiary companies which were placed before the audit committee.

As per the findings of the disclosure provision of clause 49 of SEBI, it has been reported by the majority of the companies under the study they places all the relevant details before the audit committee periodically. Further, it has also been disclosed that none of the transactions with any of the related parties were in conflict with the interest of all the selected companies at large. All related party transactions are strictly negotiated at arm’s length basis. Details of transactions with related parties are disclosed as notes to Accounts / Schedule to the Accounts in the Annual reports of the selected companies. No company disclosed anything on the accounting treatment different from that prescribed in the accounting standards.

It was also found that the 22 companies (73%) have not issued or raised any proceeds from public issues right issues The Findings of the provision of remuneration of director states that all the companies under the study have disclosed that companies generally pays remuneration by way of salary, benefits, perquisites and allowances. All 30 companies included in their Director’s Report or as an annexure thereto, a ‘Management Discussion and Analysis Report’ as a part of the annual report to the shareholders. This report included a wide coverage of the items prescribed in the Listing Agreement.

Shareholders provision of clause 49 disclosed that all the selected company’s has provided the details of the Directors seeking appointment and re-appointment at the end of their respective corporate governance report.
The study also reveals that the CEO, i.e., the Managing Director of Manager are appointed in terms of the companies Act, 1956 and the CFO i.e. the whole Time finance Director of all the companies are in practice to have certified to the Board about the information provided in the provision.

In the second part of this chapter, an attempt has been made to identify major factors other than the provisions of clause 49 which influence the disclosures of information as regard to corporate governance. This exercise has been carried out by application of multiple regression model. In this model, the corporate governance score was calculated on the specific areas of corporate governance which has been considered as dependent variable and the board of directors, shareholders distribution pattern, company size, and profitability are considered as independent variable. The analysis of correlation depicts that the relationship between dependent and independent variable is 73% which depicts the existence of high degree of correlation between the two given variables. The findings on coefficient of determination ($r^2$) shows that the behavior in the movement in dependent variable is greatly explained by independent variable which further supports the high correlation between independent variable and dependent variable. According to the regression equation analysis it was observed that net worth is the only micro independent factor which has a direct impact on dependent variable.

In order to assess the current disclosures practices of corporate governance at global perspective of the Indian Corporate, the principles of corporate governance as laid down by OECD has been considered as its principles has been widely accepted all around the world.

The first principle of corporate governance as laid down by OECD deals with –The Rights of Shareholders. This principle was assigned a total weightage of 20%.The findings for this principle reveals that there was full disclosures being made by all the companies as regard to ownerships rights beyond voting, director’s remuneration, election of board members,
explanation of dividend policy, attendance of Chairman and CEO in the last AGM, nomination of directors providing their names and background. Partial disclosures have been made in the area of vote method and vote counting system, adequate information on the external auditors, attendance of chairman of nomination committee and compensation committee, outstanding shares. There was no disclosure made by any of the company as regard to corporate acts and agreements arrived at the meetings. The corporate governance score of this principle varies between 15.211% to 17.851%. The highest disclosing companies of this principle are REL IND and INFOSYS.

The second principle of corporate governance as laid down by OECD deals with – Equitable Treatment of Shareholders. This principle was assigned a total weightage of 20%. The findings of the principle depicts that all the selected companies have made full disclosures by giving material information to the board, information related to proxy voting and proxy forms, insider trading, management to disclose related-party transactions and disclosure of general shareholders meeting. None of the companies were disclosing information related to principle of one share one vote, extent of transactions with affiliated and related-parties and part of an economic group where the parent/controlling shareholder also controls key suppliers, customers, and similar businesses. The corporate governance score of the above principle lies between 14.169% to 15.003%. REL IND, DLF, L&T, BHARTI AIRTEL, SUN PHARMA, HINDALCO, ITC, INFOSYS, and NTPC are the highest disclosure companies.

The third principle of corporate governance as laid down by OECD deals with – Role of Stakeholders in Corporate Governance. This principle was assigned a total weightage of 10%. The findings of the principle summarizes that full disclosures were made as regard of proper arrangement of safety and welfare programs for the employees of the companies, employee share option program given to the employees of the companies, proper training imparted to the employees, explicitly mention of role of customers and suppliers/business
partners and explicitly mention its obligations to society. Partial disclosures were made in the area of environmental issues and obligations to creditors and retirement plan for the employees. The corporate governance score of the third principle varies between 7.725% to 9.089%. REL IND, DLF, JP, HINDALCO, STERLITE, INFOSYS, M&M and GRASIM stood on the highest disclosure position.

The fourth principle of corporate governance as laid down by OECD related to Disclosure and Transparency. This principle was assigned a total weightage of 25%. As regard to this principle, full disclosures were made in the area of meeting of individual directors, business operations, financial statements, press release, board member background, board remuneration, operating risks, board meeting attendance, disclosure of details of related party transactions, shareholding structure, organization structure, timely disclosure of annual reports, downloadable annual reports etc. Partial disclosures were made as regard to breakdown of shareholdings, beneficial ownerships. None of the company was found to be providing information related to requesting directors to report their transaction, management shareholdings, dispersed ownership structure, annual SEC accredited by external auditors, corporate grouping, specific investor relation. The corporate governance score of this principle ranges between 11.774% to 14.418%. REL IND, DLF, BHEL, RANBAXY, M&M, TATA MOTORS, HINDALCO, HIND UNI, INFOSYS, WIPRO and GRASIM are the highest disclosure companies.

The fifth principle of corporate governance as laid down by OECD deals with Board Responsibilities. This principle was assigned a total weightage of 25%. The findings of the principle states that disclosures in this area were towards code of ethics for directors and employees, disclosure of corporate governance manual, existence of risk management policy, proper attendance of board meetings, adequate information as regard to audit committee, compensation committee and nomination committee and provide separate section for board of director’s report. Partial disclosures were made as regard to board members and senior
executives participation in the training on corporate governance, chairman a non-executive
director, charter/ role , performance/meetings of compensation and nomination committee etc.

None of the company making disclosures in the area of need of skills and training of directors,
definition of independence for identifying independent directors in public communication,
annual self assessment of board and CEO/President. The corporate governance score of the
fifth principle varies between 13.532% to 16.162%. Maximum disclosure companies are ACC
and INFOSYS.

The accumulated corporate governance score for the various OECD principles of all the
selected companies lies between 64.38% to 71.33%. Of the 30 companies surveyed, the scores
of 5 companies viz. ONGC, TATA STEEL, MARUTI SUZUKI, SBI and HOUSING DEVE varies
between 60 to 64 percent, 21 companies viz. TATA POWER, REL INFRA, WIPRO, TCS, ITC,
HIND UNI, STERLITE, HINDALCO, TATA MOTORS, ICICI, HDFC, SUN PHARMA, RANBAXY,
REL COMM., BHARTI AIRTEL, L&T, BHEL, DLF, ACC, NTPC and JP scored between 65
percent to 70 percent and rest 4 companies viz. REL IND, M&M, INFOSYS and GRASIM
scored between 70 to 75 percent. The companies which secured above 70 percent are
considered as highest disclosed companies, the companies which are between 65% to 70%
are considered as moderate disclosed companies and lastly the companies which are below
65% are considered as least disclosed companies.

The analysis reveals that the maximum disclosure was towards the principle Role of
Stakeholders in Corporate Governance which ranked first by scoring 84%. The principle for The
Rights of Shareholders had attained second rank by scoring 78%. The principle for Equitable
Treatment of Shareholders ranked third by scoring 72%. The principle in respect of Board
Responsibilities and principle for Disclosure and Transparency were ranked fourth and fifth by
scoring 59% and 53% respectively.
The fifth chapter “SWOT Analysis” was focused to obtain the strengths, weaknesses, opportunities and threats of the corporate governance. In order to carry out the SWOT analysis, views of various respondents have been collected. The major strengths of corporate governance are found to be in the area of improved procedures and controls which helps a company to prepare accurate and complete financial statements at the end of each month and quarter. A firm may also hedge, or protect against, operating risks by implementing functional controls. Honesty and integrity as found to be another area of strength as integrity and honesty of the directors helps to perform and carry out their duties and responsibilities. Strong corporate governance reduces risks and cost of capital and improves overall performance. Basic weaknesses identified were in the area of lack of disclosure and transparency, lack of training of the directors as 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, lack of professionalization leads to generate wrong ideas and strategy both to guide the business.

Some major opportunities identified are enhancement of shareholders’ value by improving the corporate performance and accountability, improvement of company and market performance - corporate governance practices provides an opportunity in improving company and market performance and generation of wealth by creating shareholder value through an increase in business opportunities and broader access to markets

If corporate governance mechanism is not applied in its true sense the corporate are bound to meet these threats-challenge to global competition-because the competition has reached international level for Indian companies due to liberalization and globalization. The management has to make adjustments in policies and practices of corporate governance to meet this challenge, challenges in the nature of business-as the radical changes are taking place in Indian
Due to globalization, all sectors of economy are being opened up to worldwide competition controls are being removed day-by-day over industries and trade. Happening of various events requires various reforms to be implemented in the area of corporate governance and change in the worldwide economy. On the basis of SWOT data, an action plan has been suggested to improve the legal, institutional, and regulatory framework for corporate governance in India.

**SUGGESTIONS**

Despite the fact that the significance and the importance of corporate governance is known and understood by many and all, the fundamental concepts require elucidation so as to propagate the principles of corporate governance for wider application and to this end awareness programs are of utmost need inter alia the following suggestions:

1. **Laying of best practices’ code to be adhered to in ensuring just and fair procedure in the conduct of business of the management of a corporation,**
2. **Constitution of competent Board with selection of members on the basis of their capabilities,**
3. **Certainties in the duties attached the office of particular director at the time of his appointment,**
4. **Ensuring the independence of the Board,**
5. **Establishment of a corporate governance audit mechanism and its publicity,**
6. **The Board must satisfy itself that the risk management systems and procedures are in place to identify and manage risks.**
FUTURE PROSPECTS

With the increased exposure of the Indian corporate to the global market they need to work upon their goodwill generated from their inherent integrity which in turn depends on their corporate governance policies, if they want to draw benefits from this exposure and exploit the same. It is only the consistency, coherence, credibility and resultant inspiration from their corporate governance policies that the Indian corporate shall be able to reap the utmost benefits of the global capital markets, capture efficiency gains, benefit by the economies of scale and attract long term capital.

The primary factors on which the quality of corporate governance depends are – integrity of the management, ability of the Board, adequacy of the processes, commitment level of individual board members quality of corporate reporting, participation of the stakeholders in the management. All this, under an effective legal and institutional environment. Consequently, in the coming future the corporate governance practices and code shall acquire increased prominence worldwide and the same is also evident from the activities corporates worldwide in this regards.
SCOPE FOR FURTHER AREA OF RESEARCH

The amendments introduced by the SEBI in the clause 49 directed towards the improvement of corporate governance practices viz. changes in the definition of independent directors, strengthening the responsibilities of audit committees, improving the quality of financial disclosures, requiring the Board to adopt a formal code of conduct, requiring the CEO/CFO certification of financial statements and for improving disclosures to the shareholders provide field for future research in the arena of corporate governance. Future researches can also be directed towards the comparative study of voluntary disclosures with Asian counterparts also with extra-Asian countries. Research should also be made in respect of unlisted companies in India. Research in these fields shall contribute towards further strengthening of mechanism of corporate governance.