Chapter I

PREAMBLE

1.1. Introduction of Topic

The origin of Governance word is “gubernare”, which means regulations or guide. Term was narrated as guidelines while exercising the powers/ discharging duties while leading the kingdom which has intimated the accountability of the leaders/ king, structural and strategic framework for the king to run kingdom. This would have close relevance to the corporations’ structure and functionality. To direct and manage the management framework and ethical standard fundamental requirement is effective Corporate Governance. In-order to protect the interest of stakeholders, protect long term business interest and accelerate the business growth corporate governance is the influencing factor. Corporate Governance also support strengthening the transparency via corporate disclosure (i.e. disclosing required information to investors on proactive basis) in other words it helps investors to select the right organisation (for investment) which is doing right things. This further embedded the balance between control and compliance.

As per Webster dictionary this is the body which is acting having agenda/ intention to act for the corporation. Legal meaning of “Corporation” is a body of individual incorporated under relevant laws with a specific business objective which is collaboration of bunch of individual who are coming with the common intention. Corporate Governance is turn as empowering individuals associated with the corporation (such Directors, shareholders, investors, stakeholders, management personnel, etc.) to take necessary decisions for the growth of the firm but same time to ensure that the decision take/ desecration used is not an ultra virus with the internal by-laws, rules, guidelines, restrictions (as may be laid down to ensure good governance in the corporation from time to time).

In the past few decades Corporate Governance (CG) is emerged as key factor which has significant contributed to competition in the financial market. The key cause of international financial crisis and financial crimes (scandals/ in-appropriate management of funds) is inadequate Corporate Governance and lack of willingness by most of the
organisations to establish sound governance in the organisation; this is resulted in the constant and rapid growth of the Corporate Governance across the globe. European Unions (EU), UK, USA, international financial institutions, and major financial organisations have increased their focus for establishing Corporate Governance. These institutions and countries started evaluating existing corporate governance practices before investing or providing any credit in any organisation (having operations in the developing country).

The objective of Corporate Governance can only be achieved if this is embedded to the objective of individual employees of the establishment. Corporate Governance projects the values, internal policies, practices of any establishment. Corporate Governance promotes reliability, intelligibility and responsibility amongst senior management of the corporation. In the modern corporate world most predominant change in the structural change of corporation is Corporate Governance. Corporate Governance is also concerned about the behaviour of key people and design of key policies which may have direct/indirect impact on the decision of investor, as presence or non-presence of these aspects influence the mind of stakeholders of the corporations because this determines the progress of the organisation. It depicts the picture of well controlled and well administered establishment. The role of Corporate Governance evolves mechanism to administer relationship between Directors and Investors, Directors and Shareholders, management and employees. Corporate Governance promotes the institutional arrangement to separate enterprise ownership and internal control on the business of corporation. Companies started designing their business framework and roadmap to achieve corporate objective in right spirit / without sacrificing the corporate social responsibility. Good governance creates a culture amongst the board of directors and management that they are acting as trustee to investors and shareholders of the company. In the flow of globalisation world is become too small and the sprite of establishing good governance is constantly uphold by corporate as well as government organisations. Principles of Corporate Governance laid down by OECD are well recognised and accepted worldwide as they framed considering the stricter requirements stated by regulatory or statutory authority of any jurisdiction. These principles were the model
framework for corporate governance notwithstanding anything contain otherwise in any other applicable laws. Governance in the establishment decides how the key decision makers take their decisions to top the establishment. Corporate governance performs key role to monitor related party transactions to avoid conflict of interest and protect organisations liability from unethical contractual obligations. Corporate governance also helps to determine the equity distribution model inside and outside the organisation. It also provides ideal framework for deciding ownership, capital structure, product market competition, organisational structure, capital structure, management incentive schemes, and allocation of funds, appointment and removal of Directors etc.

1.2. Gamut of Corporate Governance:

The present scenario wherein there are developments on the industrial and economic front requires development in the ethical standards of the corporation. The implementation of corporate governance needs to be made setting up dedicated hopper for this. Absence of effective corporate governance resulted in cry is raised by global security standard certifying agencies, global list of corporate scams, slouch of economic crises, aboriginal and global level competition is increased, clouds of lay-off/retrenchment is all set and economy is become inactive.

1.3. Deficiency of Corporate Governance:

‘The law breakers are cleverer than the law makers’, despite being many legislative measure are introduced by the law maker to have good governance in the private and public establishment, establishments are not able to set up effective corporate governance. This was picked up by several researchers as topic/problem for the research. Failure of corporate governance is most of the time happen because either/all/few of following reason – lack of ethical standard to conduct the business activities, lack of awareness on business values, lose controls systems and easy opportunities for corporate scams, roar on the recommendation of regulators, lack of person independent systems, absence corporate social responsibility facture, focus on the firm’s profit and ignorance of the interest of customer, highest profit by shortcut, etc.
1.4. Historical background:

During 1600 The East India Company was grated with the one of the important privilege to engage with commercial activities at American territories like Boston. The special chartered was declared by Queen Elizabeth – I. This was probably the first move towards modernisation of corporations; the company was engaged in the trade of dumping tea at Boston harbour. Due to bad governance in the American colony it has received set back from the son of soils. Desperate need to the corporate governance was further realised after Dutch East India Company was also granted with special royal chartered during 1602 to expand the business beyond territorial jurisdiction. In both the instances lack of accountability, low transparency and financial malpractices was the main cause of failure of Corporate Governance. In 1699 East India House in London was assaulted for the continuous negligence of social responsibility. The classic trend of incorporated corporation was also emerged. In-order to promote the trade in East India Bank of Amsterdam was established. Promoters of Bank of England were further granted with the additional privileges and immunities in the year 1694, most of the privileges were pertaining to monopoly, and it was further expanded with the subscription of public shares. In the 17th century new trade opportunities at West Indies and East Indies lead for corporations having joint stock. Continuous failure of corporations like South Sea Trading Company was also spotted for unreasonably expanding the business in South America during 1711; it has devastated stakeholder’s interest while achieving the corporate objective, this resulted to unfortunate situation i.e. company had to shut down the business in 1720. Unchartered companies were also allowed to issue stock in public and receive direct investment under the newly enacted legislation British Parliament – the Bubbles Act, 1720. Corporations were granted licence to commence business activities under separate legislation. The promoters were required to submit detailed declaration to the government w.r.t. objective of corporation, amount of capital expectation via issuing public stock and place of business. This has facilitated law makers to ensure that the corporation is acting for the benefit of the society.

Corporate Governance has attracted to all the establishments irrespective to type of industry. Corporate Governance gained lot of importance while corporations started
losing the credibility in the view of investors, the conduct of establishment which cares about investors money and which has internal code of conduct the ensure transparency and accountability of the Board of Directors and key officers of the company. Public was more interested in the organisation which has reciprocated trust and wholesomeness of the social engineering. The highest level of ethical standard becomes more stakeholder friendly organisation, as organisation was acting as agent for the money invested by Public.

The roots of governance tree were penetrated in the USA during the exposal of Watergate Scandal. It was revealed during the investigation that this scandal was result of making bribe to government officers and contributing in unethical political contributions. This leaded to enactment of Foreign Corrupt Practices Act, 1977, with primary objective to discourage corruption and review internal controls to fight with financial crimes. In 1979 there was recommendation from Securities Exchange Commission of USA to compulsory reporting of internal controls by the corporations. Tread Way commission was form in 1985 following the collapse of financial institution and high profile organisations in USA, the remarkable failure was lost of profit and loans, the key objective was to investigate and recommend solution on the misrepresentation financial records of the companies. Further Trade Way commission in published recommendations in 1987, key recommendations were appointment (i) independent audit committees (ii) need of establishing efficient controls systems (iii) clearly defined objective for the internal audit team and (iv) funding from organisations to design the strong internal control framework, which will help other companies to improve their internal control systems. Black spot scam of Bank of Credit and commerce International (BCCI) in England prompted to revised corporate governance structure. The landmark of corporate misdeal was revealed during the Barings Bank scam, which has made regulator to think about the revising the governance structure in the corporation which can be strengthen to protect adequately interest of the shareholders or people who has funded to the corporations. These few examples became key indicators of failure of corporate willingness to run the business with almost degree to ethics and conduct. This also prompted to regulators and law makers that there is need of improvement in the present control framework, review the
objective and competencies of the top management of the company. These corporate failures depicted a picture of in-security of shareholders of establishments. Committee of sponsoring Organisations was formed to review the adequacy of the regulatory framework in the light of the recent corporate failures. Cadbury, Rutteman, Hampel and Turnbull these four UK based committees refined the recommendations produced related to control framework during 1992. During late 1980,s and early 1990,s due to heavy collapses and scandal occurred in the UK, investors and banks were started questioning the investments. Government of UK realises to enact strong regulatory framework to mandate and monitor the governance structure in the organisation, as there was lack of willingness from organisation to take voluntary initiatives to establish governance structure and it was also discover during the investigations of various frauds and scams.

In the 20\textsuperscript{th} and 21\textsuperscript{st} century financial capital was imparted as key determinant during investment in the emerging market and third country. The South East Asian countries stared meeting in the countries like Malaysia, South Korea, Indonesia and Thailand, which has shown clear impact of the financial capital. World Bank and Investors of the era realises that before funding any organisation it equally important to have good governance along with the good management team, because relevant stakeholders wanted to ensure the funds are used appropriately for the business objective without sacrificing the welfare of society and compliance with the provisions of applicable laws.

During mid of 2002 corporate governance was again became dormant as few scandals such as Enron, WorldCom and Toyo were held the corporate world. Corporate Governance guidelines were overruled by these scandals which resulted in sever financial impact on the individual investors and institutional investors. These scandals manifested the requirement for having mandatory corporate governance in-order to stabilise economic development. Corporate Governance was become influencing factor to take decision of during privatisation of government establishment to private establishment. Also may economist during their research observed that while any private firm need to become public firm then such firm need to confirm and demonstrate that there is adequate
governance is established in the organisation. This provides opportunity to individual investor and institutional investor to take decision whether to invest in the particular firm or not. In the liberalisation the role of institutional investor is also become vital as before investing in a foreign organisation they assess the economic condition of the firm, technical/ professional capabilities and most importantly degree of corporate governance marinated by the organisation. There was also a recommendation to have appointed an individual who has professional capabilities to drive the ethics committee and monitor the work of audit committee to support Board of Directors and management of the establishment to act with high level of transparency and accountability towards to investors and society.

In 1991 government of India has taken various initiatives in-order to make economic liberalisation and globalisation in the Indian economy, these initiatives became crucial steps to match with the requirements international business. There was study conducted by various organisations in India to study the existing situation of Corporate Governance in India few important reported submitted to Indian government by Cadbury Committee, Confederation Of Indian Industry, Associated Chambers of Commerce and Industry and, the Securities Exchange Board of India. CII took first initiative in India to design code of conduct for the corporation which can lead to good governance in the establishment. It was broadly adopted by various private organisations, public organisations, government sectors, and financial institutions in India. Final vision of this code of conduct was widely circulated in 1997. To increase the standard of Corporate Governance Securities Exchange Board of India constituted committee under the leadership of Mr. Kumar Mangalam Birla. Committee submitted its report with key observations that the effective corporate governance will provide resilience and stability to economic market, it will also gain confidence of the stakeholders (as it would be adding additional layer of protection). This was immerged as surgical treatment to current corporate structure via addition of new organ of transparency and accountability of board and management of the company. The committee has made recommendations which included mandatory and non-mandatory recommendations, key recommendation w.r.t. inclusion of clause 49 to listing agreement template in the year of 2000. Listed companies having paid up capital INR 3 Crores and above or having net worth of INR 25 Crores or more were appropriate
organisations to ensure compliance with these recommendations. Board of Directors and senior management of the company were accountable for implementing all the recommendations and ensuring that the establishment is compliant with this. Dr. P.L. Sanjeev Reddy, secretary of Department of Company Affairs chaired the Board (May 2000), to study the requirements of Corporate Governance in Indian companies. Further in November 2000 Task Force was set up by Department of Company Affairs to raise the governance standard in the Indian companies and to study the contribution of government agencies in this process. Further in this evolution process in the year 2002 committee was constituted under the chairmanship of Mr. Naresh Chandra to analyse the requirements to make changes is existing Indian laws to make more stricter to ensure compliance with these recommendations, such as introduction of independent Director and relationship between auditor and corporation. In the year 2002 Security Exchange Board has established committee under the guidance of Mr. Narayanamurthy to crosscheck the implementation level and assess the effectiveness of clause 49 in listed companies. There were recent changes made by various professional institutions such as National Foundation for Corporate Governance (NFCG) in partnership with Confederation of Indian Industry, Institute of Company Secretaries of India and the Institute of the Chartered Accountants of India. National Foundation for Corporate Governance set out clear agenda to enhance awareness w.r.t. implementation of Corporate Governance in the establishments, promoting research on the topics related to good governance and comparative study of Indian scenario Vs global approach, putting extra efforts by collaborating with regulatory authorities for effectively implementing Corporate Governance and introducing enforcement mechanism for the same. The Companies Act, 1956 was amended from time to time in-order to compliment the requirements of corporate governance the key contribution are vetting by postal ballot, requirements related to audit committee, requirements pertaining to independent Directors, revision of clause 41 of listing agreement to protect the interest of every shareholder of the company. Efficient in-house legal governance framework is invariable growth of the company, the Companies bill 2004 and Companies bill 2008 has brought more transparency and more accountability in the establishment, which became boon for motivating foreign investors. These laws are enacted in very simplified format so that
even small firm should easily be able to adapt and implement it, without leading to any further complication in terms of its interpretation and application.

Further to protect the interest of investors and maintain amicable environment of corporate governance in the country Securities Exchange Board of India has introduced few more legislations such as Securities Contract Act, 1956, Securities and Exchange Board India Act, 1992 and Depositors Act, 1996. Another automated initiative taken by Ministry of Corporate Affairs (MCA) via launching electronic government that is MCA 21, the official website was launched and the master data of every registered company was maintained in a electronic format and it was available in the public domain (on request). The Master data, such as company details, names of directors, address of the company, contact details, date of incorporation, etc. was made available in public domain. This has given an additional opportunity to foreign investors to cross verify about the company wherein they wish to invest the money. MCA has also provided option to companies to opt for specific object such as Section 25 Company (for special / charitable purpose); it also announces easy exit schemes for the companies. For the sustainable growth of organisation it is important to have effective legal and regulatory framework. The local laws and regulations of the country are required to be aligned with the changing global market, which should complement the emerging economic trends, promote good governance and extend the additional level of protection to investors, shareholders, stakeholders, etc. further changing corporate structure in-order to meet with the business demand, was also needed to incorporate governance as part of the change.

1.5. Theories of Corporate Governance:

1.5.1. Agency Theory -
Name of the theory itself suggest the nature as this is around relationship of principals and agents, Corporations (including Board of Directors and Senior Management) are expected to act in good faith for its shareholders and investors who are principals in this relationship. This theory was introduced by Alchian and Demsetz in the year 1972; it is originally penetrated during the economical
evolution. This theory was discussed in detailed in the later days during 1976 by Jensen and Meckling. As per this theory shareholder are real owner of the business and they appoint their agent (Board of Directors and Management of the corporation) to perform business activities on behalf of them.

1.5.2. **Stewardship Theory** –
This theory was originated from social sciences, because footprint of Sociology and Psychology can easily be traced out in this theory. Davis, Schooram and Donaldson defined this theory in 1997 as “a Steward protects and maximises shareholders wealth through firms performance, because by so doing the steward’s unity function are maximised”. In any corporation Directors and senior management of the establishments should be acted in the capacity of steward, in-order to accelerate the monitory enhancement of the establishment and uphold the interest of stakeholders and investors. The concept of the theory is wider than the Agency theory as it does not restrict responsibility of the individual but it also recommends aligning individual objective with the ultimate objective of corporation. Also achievement of organisations objective leads to achievement of individual objective ultimately.

1.5.3. **Stakeholders Theory**-
This theory was introduced during 1970 as part of management behaviour to achieve corporate governance. In 1984 it was incorporated as the corporate accountability to the wider spectrum of shareholders. The baseline of the theory is balance between organisational and social discipline. This theory also suggests serving not only to the stakeholders but also demonstrating ethical behaviours towards its vendors, suppliers, clients, sub-contractors, employees, etc.

1.5.4. **Resource Dependency Theory**-
Earlier theory was more focused on the relationship between corporation and various groups, while this theory touches the need to establishment w.r.t. required
resources and how board should facilitate the need. The role of board members is vital while facilitating the organisation with required resources. This theory suggests appoint dedicated resource to understand the business dependency and cascade it to board members.

1.5.5. **Transaction cost theory**-
This theory allows alliance between the different set of skills/ requirements such as compliance with applicable laws, following economic principals and achieving organisational development objectives. Organisations are become wider in their scope and nature of business, that at a time it becomes secondary to allocate the resources. The structure and size of the organisation determines the prise and production of the firm. Numbers of transactions are considered as unite in the transaction theory.

1.5.6. **Political Theory**-
This theory suggests approach to obtain shareholders vote rather than buying the votes of shareholders. Political/ government’s intervention in the Corporate Governance will further stimulate the governance within the organisation. Since government stared influencing the corporations for establishing corporate governance and making comprehensive steps to achieve it considering cultural changes. This model also channelizes the corporate powers, privileges and incomes. Over past few years governments of most of the countries has shown more will towards the achievement of corporate objectives, via making provision in applicable laws and introducing the government policies. This is ultimately resulted the entry of the politics in the corporate.

1.5.7. **Ethics Theory**-
Other than the theories we have discussed above such as Agency theory, Stewardship theory, Stakeholders theory, Stakeholders theory, Resource Dependency theory, Transaction cost theory and Political theory, there is one more important theory needs to be discussed that is Ethics theory. This theory
focuses on the key ethical standards such as business ethics, postmodern ethics, feminist ethics, virtue ethics, and disclosure ethics.

Table No. 1.1
Focus and Theoretical Underpinning of UK Corporate Governance Reports and Code

<table>
<thead>
<tr>
<th>Committee</th>
<th>Year</th>
<th>Focus</th>
<th>Theoretical Underpinning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cadbury</td>
<td>1992</td>
<td>Financial aspects of Corporate Reporting</td>
<td>Agency Theory</td>
</tr>
<tr>
<td>Greenbury</td>
<td>1995</td>
<td>Directors’ remuneration and disclosure</td>
<td>Agency Theory</td>
</tr>
<tr>
<td>Hampel</td>
<td>1998</td>
<td>Implementation of Cadbury and Greenbury</td>
<td>Agency and Stakeholders Theory</td>
</tr>
<tr>
<td>Combined code</td>
<td>1998</td>
<td>Incorporating various elements of prior code</td>
<td>Agency and Stewardship Theory</td>
</tr>
<tr>
<td>Turnbull</td>
<td>1999</td>
<td>Internal Controls requirements</td>
<td>Agency and Translation cost economics</td>
</tr>
<tr>
<td>Myners</td>
<td>2001</td>
<td>Institutional investors</td>
<td>Agency theory</td>
</tr>
<tr>
<td>Higgs</td>
<td>2003</td>
<td>Non-executive Directors</td>
<td>Agency theory</td>
</tr>
<tr>
<td>Smith</td>
<td>2003</td>
<td>Audit Committee</td>
<td>Agency theory</td>
</tr>
<tr>
<td>Combined Code</td>
<td>2003</td>
<td>Revision including recent code</td>
<td>Agency and Stakeholders Theories</td>
</tr>
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1.6. Key relationships under Corporate Governance:

Corporate Governance also requires amicable relationship between corporation and key stakeholder of the corporation. The corporation fail to maintain healthy relationship with these stakeholders fails to achieve the goal of good governance in the establishment. Following are these key relationships which need to be maintained by any corporation.

1.6.1. Board of Directors and Shareholders

1.6.2. Senior Management and workers
1.6.3. Board of Directors and Regulators
1.6.4. Senior management and Customers
1.6.5. Senior Management and Suppliers
1.6.6. Board of Directors and Community

Figure No. 1.1

1.7. Importance of Corporate Governance:
In the era of economic liberalisation and globalisation many changes has occurred in the corporate world and one of the dynamic change was introduction of Corporate Governance. There were different school of thoughts behind the implementations of corporate governance in different jurisdictions, however corporate governance was emerged useful tool/instrument to support business objective, gain confidence of investors, produced model of sensible behaviour of Board of Directors, safeguard the economic interests of organisation by implementing risk mitigations structure, setting out corporate social responsibility related guidance and establishing multiple levels of controls in the enterprise to strengthen sustainable development. The corporations more
inclined towards corporate governance will motivate more investor’s decision for the investment, because this will provide transparency in-terms of accessibility of company’s financial data. This is one of the key pre-requisite for investors before making decision of investment in any establishment.

Effective Corporate Governance provides framework for the Directors of the company to exercise their rights and duties with appropriate balance between both while making constructive decisions for the growth of the organisation. Corporate Governance also set out the duties of Board of Directors and Management towards, Community, Customer, Company, Colleagues and Conduct.

Sheridan and Kendall have solicited concept of Corporate Governance as good governance comprises a mechanism which design, execute and control the activities of the company to achieve the positive and constructive corporate objective such as:

- Leading in-terms securing confidence of the stakeholders, creating significant impact on the current market situation, to achieve long term goal to become choice of customer and investors;

- Upholding welfare of the employees by providing best retrial benefits, adequate work life balance, sufficient opportunity to grow economically and professionally in the current working environment;

- Ensuring healthy relationship with the client as well as vendor of the company via balancing fare and equal treatment to both (i.e. quality services to client and quick account settlement to vendor);

- Take necessary actions to maintain wholesomeness of the environment and social engineering, participating in local community initiatives to demonstrate corporate social responsibility;

- Carryout compliance activities including adherence with requirements set out under applicable laws, policies and schemes laid down by local statutory authorities (while discharging business as usual transactions).
Business without ethics and governance cannot survive for the longer duration hence effective Corporate Governance is the key of any firm which is doing successful business for the long term. The best example if Tata group companies which are following these principals since early nineties and this turn as key confidence building factor for its stakeholders. It is one of the Indian esteem organisations which as considerable global presence and heavy foreign investments, the reason behind this success/glory is effective implementation of corporate governance which provides resilience to organisational growth and demonstrated picture of accountability, reliability, responsibility, consistency, transparency, etc.

Corporate Governance model set out primary responsibilities such as:

1. Political obligations like compliance with the applications statutes, rules, regulations, government policies, government strategies, obliging with the requirements of constitution of India;

2. Corporate Social Responsibility (CSR) (which is now become legislative mandate), corporation requires to act ethically and morally to contribute the development of community, it includes participating in various social/charitable cause via funding such event or via putting skill based efforts in such initiatives (e.g. engaging in causes such as charity run, fund raising events, providing free guidance to next generation to guide them to correct career path;

3. One of the important responsibility need to be performed by the establishment is economic responsibility, it requires corporation to earn profit without sacrificing ethics and national interest, further there is responsibility on the corporation to contribute for the growth of the industry by innovating business strategies and protecting monitory interests of stakeholders.

Compliance with the code of conduct (related to corporate governance) can be examine via case study of real time instances occurred such as big fraud (Satyam fiasco) having impact of INR 8000 Crores occurred in the last decade, which has exposed the adherence level of corporate governance related code of conduct in the corporation. The balance sheet of the company was manipulated to Project Company’s financial growth while
there was adverse situation; this manipulation was created to depict the picture that company has gained huge profit, in-order grab more business in the market and receive more investments from shareholders and stakeholders. This instance has prompted many questions in the minds of investors such as level of accountability, transparency, robustness, etc. of the governance structure in the enterprise.

In the economic evolution while corporate world is heading towards liberalisation in-terms of expansion of business beyond the boundaries of local territories, it is important the equally to have efficient Legal and Governance function to establish the required controls. There was a constant debate that the changing market will automatically cope up with the requirements of applicable laws and required governance hence no need to have dedicated in-house Legal and Governance function, nevertheless time and again it has be observed during every single corporate frauds/ scams that inadequate risk mitigations mechanism and insufficient in-house Legal and Governance function was one of the cause to expose the corporate fraud/ scams. Organisation wherein governance and law has be complied with, no adverse incidents reported because of company has inherited the culture of compliance in such organisation in-house Legal and Governance function may not required, however no such exception has become forward till today. The importance of in-house legal also reflects while company adheres with the requirements of competition/ anti-competition, this enables market to move in the right direction since no particular organisation dominates the market with undue competition and allows other organisation to share the market equally.

1.8. **Objective of Corporate Governance:**

The key objective of the Corporate Governance is to establish good governance in any establishment wherein Board of Director (BOD) are act in dual capacity of Manager and Trusty of the establishment, wherein Board of Directors demonstrate the highest degree of transparency and accountability to the investors, shareholders and community. This leads to add long term value to the organisation. It allows participation and representation of the corporation in the progress of the county/ nation. Enhancement of corporate accountability and corporate performance by adapting valuable inputs from stakeholders
and investors is also one of the objectives of corporate governance. It also suggests maintaining utmost level of standards in-order to protect the interest of investors and proving them visibility on the financial transaction of the corporation. Corporate Governance harmonises balance between the interests of investors and other stakeholders of the establishment. Corporate Governance helps gaining confidence and trust of those has direct/ indirect interest in the organisation. Maximising the monitory growth and take organisation forward with highest ethical standard is one of the objectives of corporate governance.

Figure 1.2
Control Matrix for good governance

Source: Corporate Governance structure prescribed under Companies Act, 1956