Introduction and Research Methodology
Corporate Governance (CG) is essentially all about how organizations are directed, controlled and held accountable to their shareholders. The objective of any corporate governance system is to simultaneously improve corporate performance and accountability as a means of attracting financial and human resources on the best possible terms, and of preventing corporate failure. With the rapid pace of globalization, many companies have been forced to tap international financial markets and consequently to face greater competition than before. Both policy makers and business managers have become increasingly aware of the importance of improved standards of corporate governance. Corporate governance is aimed at reducing conflicts of interest, short-sightedness of writing costless perfect contracts and monitoring of controlling interests of the firm; the absence of which firm value is decreased (Denis and McConnell, 2003).

The term ‘Corporate Governance’ refers to the system through which the behaviour of a Company is monitored and controlled. Corporate Governance has been gaining a lot of importance and momentum all over the world. It has become a buzz word in the world of corporate sector. It has emerged as a means of achieving corporate excellence and a driving force for accomplishing much better performance, maximising the stakeholder’s wealth and corporate value. As such corporate governance affects the creation of wealth and its distribution into different pockets. It shapes the efficiency of firms, the stability of employment, the fortunes of suppliers and distributors, the portfolios of pensioners and retirees, the endowments of orphanages and hospitals and the claims of the rich and the poor. Getting corporate governance right is important for economic prosperity. However, as yet, there is little objective evidence that good governance will either prevent further corporate failure or contribute to improved organisational effectiveness.

Besides, the corporate scams and frauds that came to light have brought about a change and necessitated substantial external regulations apart from internal controls and regulations. The response of society to these frauds is reflected in the legislative and regulatory changes brought out by governments and large institutional investors demand for better CG practices. It has resulted in the appointment of several committees and commissions to probe into the various issues
in depth and to make appropriate recommendations for better corporate governance practices. A series of events for the last two decades have placed corporate governance issues as of paramount importance both for the international business community and international financial institutions.

Good corporate governance can also be considered as the diligent way in which providers of corporate financial capital guarantee appropriate rewards in a legal and ethically moral way. There are both internal and external ways of achieving this (Jensen, 1993). The first is through the structure of ownership (shareholding concentration and voting rights), and board of directors or supervisory board in some regulatory regimes (who monitor firms and are supposed to work in the interest of shareholders). The second is through the market for corporate control (takeover threats), regulatory intervention, and product and factor markets.

In India, the question of Corporate Governance has come up mainly in the wake of economic liberalization and de-regularization of industry and business. In the process of economic stabilization and to strengthen further, India launched a series of economic reforms in 1991, in response to a severe balance of payments crisis and other economic destabilization in global front, many of which directly or indirectly led to a substantial liberalization of the corporate sector. The reforms were aimed at easing restrictions on firms' activities and increasing overall competition by putting an end to the 'license raj,' liberalizing the foreign trade regime and opening the financial sector. The freeing of capital markets and entry of foreign investors brought new financing and ownership opportunities and raised the volume of new equity issues significantly (Petia Topalova, 2004).

The economic crises in East Asia (1997) and other regions have demonstrated how macroeconomic difficulties can be exacerbated by a systemic failure in corporate governance that stems from weak legal and regulatory systems, inconsistent accounting and auditing standards, poor banking practices, unregulated capital markets, ineffective oversight by corporate boards of directors and scant regard towards minority shareholders' rights and privileges. The Code of Corporate Governance in emerging economies, which is the driving force for corporate performance and overall economic prosperity, has become a dire need of the day in view of the global market environment. The structure and the status of CG practices
in emerging economies, in particularly India, which is recognized as one of the fast
growing economies in the world, is well recognized on par with other countries. It is
moving according to the world market changes in all dimensions and directions. The
changes in the corporate sector in India would remain and moving ahead as per the
developments that are taking place in the other counterparts and developed
economies like the US, the UK and other parts of the corporate world.

The notorious collapse of Enron in 2001, one of the America’s largest
companies, has drawn international attention on company failures and the role that
strong corporate governance needs to play to prevent them. The UK responded by
producing the Higgs Report (2003) and Smith Report (2003), where as the US
enacted the Sarbanes Oxley Act (2002). In fact, the developments in UK had
tremendous influence on India too. They triggered off the thinking process in the
country, which finally led to the government of India and regulators laying down the
ground rules on corporate governance.

Corporate governance has been part of research into the business profession
since Adam Smith’s (1776) seminal publication of “An Inquiry into the Natural and
Causes of the Wealth of Nations” and undoubtedly given through Berle and Mean’s
(1932) classic publication of “The Separation of Corporate Ownership from Control.
The authors of the later sought to explain why a firm with several dispersed
shareholders gave vested control powers to the manager who may or may not have
shares in the firm. After seventy-seven years of this classic publication, and with
relevant guidance through the analytical lens of Jensen and Meckling’s (1976)
Positivist Agency Theory, there is still unparalleled interest in the field of corporate
governance.

Concepts of Corporate Governance

The concept of Corporate Governance appears differently for different
corporates in various countries due to divergent economic status, geographical and
other related pertinent issues as quoted below

“Corporate Governance is the system by which companies are directed and
controlled…”

- Cadbury Report (UK), 1992
"...to do with Power and Accountability: who exercises power, on behalf of whom and how the exercise of power is controlled."

- Sir Adrian Cadbury, in Reflections on Corporate Governance, Ernest Sykes Memorial Lecture, 1993

"...To direct and manage the business and affairs of the corporation with the objective of enhancing shareholder value, which includes ensuring the financial viability of the business...."

- Where were the Directors? Guidelines for Improved Corporate Governance in Canada, TSE, 1994

"Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders also the structure through which objectives of the company are set and the means of attaining those objectives and monitoring performance are determined."

- Preamble to the OECD Principles of Corporate Governance, 2004

"Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance",

- OECD April 1999

"Corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment",

- Shleifer and Vishny

"...fundamental objective of corporate governance is the "enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders.""

- SEBI (Kumar Mangalam Birla) Report on Corporate Governance, January, 2000
Corporate governance is the method by which a corporation is directed, administered or controlled. Corporate governance includes the laws and customs affecting that direction, as well as the goals for which the corporation is governed. The principal participants are the shareholders, management and the board of directors. Other participants include regulators, employees, suppliers, partners, customers, constituents (for elected bodies) and the general community.

-Wikipedia

Corporate governance codes that serve as templates of achieving value to shareholders (stakeholders) have been written in several countries (see the European corporate governance institute’s website – www.ecgi.org for an exhaustive list for countries, OECD, India, the Commonwealth of Nations, the World Bank, among others). Several other definitions corporate governance and its origin/perspective have been provided below.

<table>
<thead>
<tr>
<th>Definition</th>
<th>Origin / Perspective</th>
</tr>
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<tbody>
<tr>
<td>Corporate governance describes ways of ensuring that corporate actions, assets and agents are directed at achieving the corporate objectives established by the corporation’s shareholders</td>
<td>Sternberg (1998) gives a definition very much in favour of a shareholder perspective.</td>
</tr>
<tr>
<td>The approach of corporate governance that social, moral and political questions are proper concerns of corporate governance is fundamentally misconceived. Expanding corporate governance to encompass society as a whole benefits neither corporations nor society. Because management is ill-equipped to deal with questions of general public interest.</td>
<td>Lipton and Lorsch (1992) clearly speak for the shareholder perspective as management is not “well-equipped” enough to deal with multiple constituencies.</td>
</tr>
<tr>
<td>Corporate governance is the process of control and administration of the company’s capital and human resources in the interest of the owners of a company.</td>
<td>Hess (1996) about the general position within the US. The shareholder is the focus of the company.</td>
</tr>
<tr>
<td>Corporate governance deals with the ways in which suppliers of finance to</td>
<td>Shleifer and Vishny (1997). This definition is broader than a pure</td>
</tr>
<tr>
<td>Corporations assure themselves of getting a return on their investment</td>
<td>Shareholder perspective, as other creditors in addition to the shareholders are mentioned.</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Corporate governance is the whole system of rights, processes and controls established internally and externally over the management of a business entity with the objective of protecting the interests of all stakeholders.</td>
<td>Centre of European Policy Studies (CEPS, 1995); The objective of protecting the interest of all stakeholders is clearly a sign of a Continental European definition.</td>
</tr>
<tr>
<td>Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place.</td>
<td>The Cadbury Report (1992), para 2.5 gives a quite neutral definition of corporate governance, highlighting the importance of shareholders and boards of directors.</td>
</tr>
<tr>
<td>Corporate governance defines a set of relationships between a company’s management, its board, its shareholders and other stakeholders</td>
<td>The OECD Principles of Corporate Governance (2004) are trying to give a very broad definition as it should serve as a basis for all OECD countries.</td>
</tr>
<tr>
<td>Fundamental objective of corporate governance is the ‘enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders.</td>
<td>SEBI (Kumar Mangalam Birla) Report on Corporate Governance, January, 2000. The objective of protecting the interest of all stakeholders.</td>
</tr>
</tbody>
</table>

**Emergence of Corporate Governance: World Scenario**

Business failures and frauds in the USA, several scandals in Russia and the Asian crisis (1997) have brought corporate governance issues to the forefront in developing countries and transition economies. The virtual collapse of the Russian economy in 1998 resulted in large measure from the weakness of governance mechanisms. The so-called managers are said to have robbed shareholders, creditors, consumers, the government, workers and all possible stakeholders. The fact that the consequent distrust predictably resulted in the virtual collapse of external capital to firms reveals that corporate misgovernance can shake the very foundations of a society. Likewise, the Asian financial crisis also demonstrated that even strong
economies lacking transparent control, responsible corporate boards and shareholder rights could collapse due to the dilution of investors’ confidence. Consequently various countries in the world have adopted the CG reforms over the years as detailed below.

Table 1.1
World Scenario of CG Reforms - First Codes of Practice

<table>
<thead>
<tr>
<th>Year</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>1994</td>
<td>South Africa, Canada</td>
</tr>
<tr>
<td>1995</td>
<td>Australia, France, Pan-Europe</td>
</tr>
<tr>
<td>1996</td>
<td>Spain</td>
</tr>
<tr>
<td>1997</td>
<td>USA, Japan, The Netherlands</td>
</tr>
<tr>
<td>1998</td>
<td>India, Belgium, Germany, Italy, Thailand</td>
</tr>
<tr>
<td>1999</td>
<td>Brazil, Greece, Hong Kong, Ireland, Mexico, Portugal, South Korea, OECD, ICGN, Commonwealth</td>
</tr>
<tr>
<td>2000</td>
<td>Denmark, Indonesia, Kenya, Malaysia, Romania, Philippines</td>
</tr>
<tr>
<td>2001</td>
<td>China, Czech Republic, Malta, Peru, Singapore, Sweden</td>
</tr>
<tr>
<td>2002</td>
<td>Austria, Cyprus, Hungary, Kenya, Pakistan, Poland, Russia, Solvokia, Switzerland, Taiwan</td>
</tr>
<tr>
<td>2003</td>
<td>Finland, Lithuania, Macedonia, New Zealand, Turkey, Ukraine, Latin America, Nigeria</td>
</tr>
<tr>
<td>2004</td>
<td>Argentina, Bangladesh, Iceland, Norway, Slovenia, OECD, Mauritius</td>
</tr>
<tr>
<td>2005</td>
<td>Jamaica, ICGN, Latvia, Lithuania</td>
</tr>
<tr>
<td>2006</td>
<td>Estonia, Lebanon, Luxemburg, Nigeria, Sri Lanka, Thailand, Bosnia and Herzegovina, Egypt, Israel, United Nations</td>
</tr>
<tr>
<td>2007</td>
<td>Bulgaria, Colombia, Jordan, Kazakhstan, Moldova, Mongolia</td>
</tr>
<tr>
<td>2008</td>
<td>Morocco, Qatar, Serbia, Tunisia</td>
</tr>
<tr>
<td>2009</td>
<td>Algeria, Croatia, Georgia, Montenegro</td>
</tr>
<tr>
<td>2010</td>
<td>Armenia, Bahrain, Baltic States, Ghana, Malawi, Romania, Yemen</td>
</tr>
<tr>
<td>2011</td>
<td>Azerbaijan, Guernsey</td>
</tr>
</tbody>
</table>

Source: Jill Solomon (2007), Corporate Governance and Accountability, P-188. & www.ecgi.org
In this situation, the CG mechanism gained worldwide attention due to the frauds and deficiencies involved in the corporate sector in the US and the UK. Prominent among corporate failures in US was the Collapse of Enron and in UK, the Maxwell failure (1991), Barings Bank (1995) and the like. Based on the corporate distress in UK, several committees were appointed for finding the root causes for their failure and to find appropriate solutions for improving the CG practices. The Cadbury Committee (1992), The Greenbury Committee (1995), The Hampel Committee (1998), The Turnbull Committee (1999), The Higgs Committee (2003), The Tyson Committee (2003), The Smith Committee (2003) and Redraft of the Combined Code (2003) are the prominent committees on the CG in UK. Apart from all these exercises, the World Bank, the OECD, McKinsey Survey on Corporate Governance and Sarbanes-Oxley Act, 2002 also contributed improving the CG practices world over.

Emergence of Corporate Governance: Indian Scenario

Interest in corporate governance by policy makers in developed countries had grown significantly by early 1990s. In India too it had its beginning in the early 1990s. In India the CG represents the value, ethical and moral framework under which business decisions are taken to maximise stakeholder value. The emergence of CG in India is the result of a spate of scandals in corporate and stock markets, unlike corporate failures in the other parts of the world. A good number of Committees and Commissions have been appointed for improving CG practices in India also. Though in India there have not been such massive corporate failures such as Enron, Maxwell etc., it has resolved wisely and with forethought to incorporate better governance practices in the corporate sector emulating stringent international standards. Many large corporations are multinational in nature. They have their impact on citizens of several countries across the globe. If things go wrong, they are bound to affect many countries, some more severely than others. Therefore, it is necessary to look at the international scene and examine possible international solutions to corporate governance issues and problems. Corporate governance is needed to create a corporate culture of consciousness, transparency, confidence among investors and prospective investing public. It refers to a combination of laws, rules, regulations, procedures and voluntary practices to enable companies to maximise shareholders’ long-term value. It should lead to increasing customer satisfaction, shareholder value and wealth creation.
Driving Forces of Corporate Governance

Good corporate governance is a reflection of quality management with the highest caliber understanding the role that high corporate governance standards play in maintaining checks and balances within the organisation, increasing transparency and preventing corporate abuse and mismanagement. Management of good corporate governance companies also understands the importance of investors of long-term, sustained operating performance and tends to be inherently performance-driven. The corporate governance scenario in India has been changing fast over the past decade, particularly with the enactment of Sarbanes-Oxley type measures and legal changes to improve the enforceability of creditors’ rights. India should have the quality of institutions necessary to sustain its impressive current growth rates in the years to come, if the same trend is maintained.

Corporate governance provides a mechanism which improves the efficiency, transparency, accountability of the corporates and builds the confidence of the stakeholders. Corporate governance describes the structure of rights and responsibilities among the parties that have a stake in the firm. But the kind of responsibility and structure of the firm vary from region to region and country to country indulging the emerging economies. These economies, however, provide unique opportunities and challenges for governance practices and research. As pointed out already little research in this area has taken place in these countries. In this context an effort is made here to identify the driving forces for corporate governance in India. There are a number of causes for the emergence of corporate governance in India, apart from the ethically ambiguous business practices and scams in the market environment. There are three major driving forces in the market that can be identified for the emergence of corporate governance in India. These are 1. Unethical business practices and security scams, 2. Globalisation and 3. Privatisation.

Corporate Governance Reforms in India

The corporate sector in India could not remain indifferent to the developments that were taking place in the UK, which had a tremendous influence on India too. They triggered off the thinking process on corporate governance in the
country, which finally led to the government and regulators laying down the ground rules on it. As a result of the interest generated in the corporate sector by the Cadbury Committee’s report, the issue of corporate governance was studied in depth and dealt with by the Confederation of Indian Industry (CII), the Associated Chambers of Commerce and the Securities and Exchange Board of India (SEBI). Though some of the studies on the subject did touch upon the shareholders’ right to “vote by ballot” and a few other issues of general nature, none can claim to be wider than the Cadbury Report. Prominent among them are: Working Group on the Companies Act (1996), Kumar Mangalam Birla Committee (1999), Naresh Chandra Committee (2002), The SEBI’s Follow-up on Birla Committee (2002), Narayana Murthy Committee (2003) and J. J. Irani Committee on Company Law (2005) and Corporate Governance Voluntary Guidelines 2009.

Corporate Governance – A Theoretical Perspective

Corporate governance reporting has been the subject of many studies. However, there have been a range of interpretations of the meaning of governance reporting. A narrow perspective concentrates on the relationship between a company and its shareholders with a focus on financial outcomes (Clarke, 2007; Solomon, 2007, Letza, Sun & Kirkbride, 2004) and looks to agency theory to explain voluntary disclosure. Agency theory has provided some explanation for voluntary disclosure but the results have not been consistent with other factors such as the impact of other company size, company activities and external pressures perceived to impact on the reporting of voluntary information (Healy & Palepu, 2001; Verrecchia, 2001). The broader perspective of corporate governance considers the need to create long term sustainable value in the interest of all stakeholders (Monks & Minow, 2008; Clarke, 2007; Solomon, 2007) and considers social and environmental outcomes as well as financial outcomes. Research into voluntary disclosure from this perspective has applied legitimacy theory and stakeholder theory with some success. Managerial stakeholder theory has been considered more rigorous as this approach recognises the perceived influence of important stakeholders in addition to shareholders, such as government and regulatory bodies (Haddock-Fraser & Fraser, 2007; Adams & Frost, 2006, Cormier, Gordon & Magnan, 2004; Harvey & Schaefer, 2001).
Importance of Good Corporate Governance

The OECD Principles of Corporate Governance emphasizes that good corporate governance is important in building market confidence and encouraging more stable, long term international investment flows. Empirical evidence has shown that firms which practice good corporate governance enjoy lower costs of capital (Chen et al., 2001) and higher share values (Gill, 2002; McKinsey, 2001; and Dallas, 2002). Improvements in corporate governance can raise the value of companies anywhere, but for American and British firms the likely benefit is less than 20 percent, whereas for Indonesian and Thai companies it is closer to 30 percent (The Economist, 2001). Recent research on corporate governance by Standard and Poor’s indicates that investors are willing to pay a premium for shares in well-governed companies (Dallas, 2002). The size of the premium for well governed companies varied by market, from 11 percent for Canadian companies to around 40 percent for companies where the regulatory backdrop was least certain (those in Morocco, Egypt and Russia).

The investment bank, Credit Lyonnais Securities Asia’s (CLSA) research findings also show that corporate governance pays when investing in emerging markets, and there is a strong correlation between higher corporate governance rankings and superior financial return indicators, higher valuations, and medium-term share price outperformance (Gill, 2002). Low corporate governance companies are high investment risks, and markets and stocks with poor corporate governance are punished. According to CLSA (2003), over the last five years, the share price performance of the top 30 Asian companies (in term of corporate governance scores) was much better than the group of bottom firms. The share prices of the lowest ranked group were behind the market. They found that the relationship between corporate governance scores and share price performance was more significant in countries with a lower rating. La Porta et al (2002) found that a country’s legal protection of minority shareholders (a proxy for corporate governance) has a high association with its stock market size and maturity.

There is a strong association between corporate governance and public governance (proxied by quality of legal system, level of corruption and transparency). In a government-led, centralized economy, public governance’s
impact on corporate governance is more dominant than vice-versa. This shows that corporate governance is more than business issues affecting individual firm performance and the protection of the interests of shareholders. It also has far reaching economic, social and political implications. Good corporate governance promotes a more open, free, orderly, transparent and uncorrupted society. Therefore, all these findings provide sound testimony as to the increasing importance of corporate governance. Other research has also suggested robust correlations between corporate governance and key financial indicators. Most investment managers believe that companies with better governance have better growth prospects, are less vulnerable to market downturns, and have lower costs of borrowing (Chow, 2002).

Though good governance may not guarantee better performance in a company, there is empirical evidence that bad corporate governance is a good early warning of deeper trouble. In 1990s, takeovers, corporate collapses, scandals, and the emergence of institutional investor activism in the West have all led to a serious assessment of how companies should be directed and governed in the future. Improving corporate governance is an issue of critical importance to India today and also in its future developments. The Indian government has realized that good corporate governance is necessary to improve corporate competitiveness and to attract international capital. It is believed that with better corporate governance, listed firms can reduce agency costs, become more competitive in global markets and can fulfill their social responsibilities.

Need For Corporate Governance

The popularity and development of corporate governance frameworks in both the developed and developing worlds are primarily a response and an institutional means to meet the increasing demand of investment capital. It is also the realization and acknowledgement that weak corporate governance systems ultimately hinder investment and economic development. In a McKinsey survey issued in June 2000, investors from all over the world indicated that they would pay large premiums for companies with effective corporate governance. A number of surveys of investors in Europe and the US support the same findings and show that investors eventually reduce their investments in a company that practices poor governance. (McKinsey)
Corporate governance serves two indispensable purposes. It enhances the performance of corporations by establishing and maintaining a corporate culture that motivates directors, managers and entrepreneurs to maximize the company's operational efficiency thereby ensuring returns on investment and long term productivity growth. Moreover, it ensures the conformance of corporations to laws, rules and practices, which provide mechanisms to monitor directors' and managers' behaviour through corporate accountability that in turn safeguards the investor interest. It is fundamental that managers exercise their discretion with due diligence and in the best interest of the company and the shareholders. This can be better achieved through independent monitoring of management, transparency as to corporate performance, ownership and control, and participation in certain fundamental decisions by shareholders.

Dramatic changes have occurred in the capital markets throughout the last decade. There has been a move away from traditional forms of financing and a collapse of many of the barriers to globalization. Companies all over the world are now competing against each other for new capital. Added to this is the changing role of institutional investors. In many countries corporate ownership is becoming increasingly concentrated in institutions, which are able to exercise greater influence as the predominant source of future capital. Corporate governance has become the means by which companies seek to improve competitiveness and access to capital and borrowing in a local and global market. Effective corporate governance allows for the mobilization of capital annexed with the promotion of efficient use of resources both within the company and the larger economy. It assists in attracting lower cost investment capital by improving domestic as well as international investor confidence that the capital will be invested in the most efficient manner for the production of goods and services most in demand and with the highest rate of return.

Good corporate governance ensures the accountability of the management and the Board in use of such capital. The Board of directors will also ensure legal compliance and their decisions will not be based on political or public relations considerations. It is understood that efficient corporate governance will make it difficult for corrupt practices to develop and take root, though it may not eradicate
them immediately. In addition, it will also assist companies in responding to changes in the business environment, crisis and the inevitable periods of decline. Corporate governance is the market mechanism designed to protect investors' rights and enhance their confidence. Throughout the world, institutions are awakening to the opportunities presented by governance activism. As a result, Boards and management are voluntarily and proactively taking steps to improve their own accountability. Simply put, the corporations, including Indian corporations, have begun to recognize the need for change for positive gain. Along with traditional financial criteria, the governance profile of a corporation is now an essential factor that investors and lenders take into consideration when deciding how to allocate their capital. The more obscure the information, the less likely that investors and lenders would be attracted and persuaded to invest or to lend.

Lack of transparency, unreliable disclosure, unaccountable management and the lack of supervision of financial institutions (all of which are the consequences of inadequate corporate governance) combine to infringe investors' rights. Poor corporate governance has a tendency to inflate uncertainty and hamper the application of appropriate remedies. "Transparency" can be achieved through three key market elements: openness, accounting standards, and compliance reporting. Efficient markets depend upon investor confidence in the accuracy and openness of information provided to the public. Also, compliance with internationally recognized accounting standards is necessary to ensure that investors can effectively analyze and compare company data.

With the incorporation of the Code in the listing regulations of the Indian Stock Exchanges, listed companies are now under an obligation to act transparently. "Accountability" describes the Board of Director's duty to shareholders. In particular, the Board of Directors has a special duty and responsibility to develop the company's strategic vision, ensuring the enhancement of long-term share values. In doing so, the Board and management should be open and accessible to inquiry by shareholders and other stakeholders about the condition and performance of the company and should disclose how key decisions were made, including those that affect executive compensation, strategic planning, nomination and appointment of directors and appointment and succession of managers and financial controls.
Initially, principles of corporate governance were more specifically framed to facilitate the so called "agency problems" that were a consequence of the separation of ownership and management in publicly owned corporations. As the ownership of corporations is widely dispersed, management of the corporation is vested in directors who act as agents for the owners, (the shareholders). From this stems the theory that the interest of the shareholder is not determined or protected by any formal instrument, unlike the interest of most stakeholders and investors which can generally and adequately be protected through contractual rights and obligations with the company. It is, for this reason, that corporate governance is primarily directed at the effective protection of shareholder interests.

Furthermore, a good governance system is required for such institutions as the success of any institution is a combined effort comprising contributions from a range of resource providers including employees and creditors. It is for this reason that the role of the various stakeholders cannot go ignored and their rights and the obligations of the corporation must be determined. Financing of any kind, whether for publicly traded companies or privately held and state owned companies, can only be made possible through the exercise of good corporate governance.

**Parties to Corporate Governance**

The most influential parties involved in corporate governance include government agencies and authorities, stock exchanges and management (including the board of directors and its chair, the Chief Executive Officer or the equivalent, other executives and line management, shareholders and auditors). Other influential stakeholders may include lenders, suppliers, employees, creditors, customers and the community at large.

The agency view of the corporation posits that the shareholder foregoes decision rights (control) and entrusts the manager to act in the shareholders' best (joint) interests. Partly as a result of this separation between the two investors and managers, corporate governance mechanisms include a system of controls intended to help align managers' incentives with those of shareholders. Agency concerns (risks) are necessarily lower for a controlling shareholder. A board of directors is expected to play a key role in corporate governance. The board has the responsibility of endorsing the organization's strategy, developing directional policy, appointing,
supervising and remunerating senior executives and ensuring accountability of the organization to its investors and authorities. All parties to corporate governance have an interest, whether direct or indirect, in the financial performance of the corporation. Directors, workers and management receive salaries, benefits and reputation, while investors expect to receive financial returns. For lenders, it is specified interest payments, while returns to equity investors arise from dividend distributions or capital gains on their stock. Customers are concerned with the certainty of the provision of goods and services of an appropriate quality; suppliers are concerned with compensation for their goods or services and possible continued trading relationships. These parties provide value to the corporation in the form of financial, physical, human and other forms of capital. Many parties may also be concerned with corporate social performance.

A key factor in a party's decision to participate in or engage with a corporation is their confidence that the corporation will deliver the party's expected outcomes. When categories of parties (stakeholders) do not have sufficient confidence that a corporation is being controlled and directed in a manner consistent with their desired outcomes, they are less likely to engage with the corporation. When this becomes an endemic system feature, the loss of confidence and participation in markets may affect many other stakeholders and increase the likelihood of political action. (Wikipedia)

Information Technology Sector (IT) in India

Information Technology sectors (IT) in India have been playing a key role in putting India on the global map. The IT industry in India has been one of the most significant growth contributors for the Indian economy. The industry has played a significant role in transforming India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs and a global player in providing world class technology solutions and business services. The industry has helped India to transform from a rural and agriculture-based economy to a knowledge based economy.

Information Technology has made possible information access at gigabit speeds. It has made tremendous impact on the lives of millions of people who are poor, marginalized and living in rural and far flung topographies. Internet has made
revolutionary changes with possibilities of e-government measures like e-health, e-education, e-agriculture, etc. Today, whether it is filing Income Tax returns or applying for passports online or railway e-ticketing, it just needs few clicks of the mouse. India’s IT potential is on a steady march towards global competitiveness, improving defense capabilities and meeting up energy and environmental challenges amongst others. The IT-ITeS sector in India, with the main focus on increasing technology adoption and developing new delivery platforms has aggregated revenues of USD 88.1 billions in FY2011-12, while generating direct employment for over 2.5 million people. Out of 88.1 billions, export revenues (including Hardware) have reached USD 59.4 billions in 2011 while domestic revenues (including Hardware) of about USD 28.8 billions.

Corporate Governance in IT Sector in India

Corporate governance has taken centre-stage across boardrooms around the world. The term applies to all aspects of a business. Given the fact that technology is expected to play a key role in helping organisations achieve their business objectives, it is imperative to discuss the role of corporate governance over technology. India has one of the best corporate governance laws but poor implementation together with socialistic policies of the pre-reform era has affected corporate governance. Concentrated ownership of shares, pyramiding and tunneling of funds among group companies mark the Indian corporate landscape. Since liberalisation, however, serious efforts have been made at overhauling the system with the Securities and Exchange Board of India (SEBI) instituting the Clause 49 of the Listing Agreements dealing with corporate governance.

The principal characteristic of effective corporate governance is transparency which is reflected in the disclosures made by the firm. Disclosures play an important role in ensuring transparency. In this context, transparency means adequate, factual and timely dissemination of information by a company of its operations to its stakeholders. The company on its own should come out with adequate and timely disclosures of actual happenings and honest anticipation of material events that affect the value of the company. Good corporate governance practices are a "sine qua non" – indispensable for sustainable business that aims at generating long term value and wealth to all its shareholders and other stakeholders. Some aspects of
Corporate governance have been enshrined in the law that is administered by the Ministry of Corporate Affairs, SEBI and other regulatory bodies. However, a transparent, ethical and responsible corporate governance framework essentially emanates from the intrinsic will and passion for good governance ingrained in the business entity. The global financial crisis during the recent past (2007) along with some of the corporate failures and frauds has convincingly revealed that while the corporate governance superstructure in India is fairly durable, there are certain weaknesses that may have their roots in the ethos of individual business entities.

On the basis of guidelines of OECD principles (1999 & 2004) published and respective norms of corporate governance combined with the strategic importance of role of Indian IT sector, this study probes the corporate governance disclosure practices in select Listed IT companies in India.

The Importance of Corporate Governance Disclosure

Disclosure is a vital component towards improving corporate governance. Disclosure is central to accountability and can strengthen corporate governance as stated in the Corporate Governance Principle issued by Organization for Economic Cooperation and Development (OECD). The OECD states that disclosure is an important corporate governance tool that can reduce the need for substantive regulation. The OECD also emphasizes that corporate governance framework should ensure that timely and accurate disclosure is made on all materials and matters regarding the corporation, including the financial position, performance, ownership and governance of the company.

More detailed and timely corporate disclosure must be practiced so that the investors will get sufficient information of the financial health and general state of affairs of companies they have invested in. The main objective of all the corporations is to enhance their business prosperity as well as to increase shareholders' value. Shareholders should know what happens in the companies, then they will make better decisions about where to invest their money. As shareholders of the companies, their interest and investment will be protected, if companies disclose corporate governance information.
Review of Literature

The present research is an attempt to study make a deep into, corporate governance disclosure practices in India. It aims to study the corporate governance structure and mechanisms and disclosure practices in information technology. The corporate governance disclosure practices are not up to the mark in IT sector. It is necessary to examine and analyze the ways and means to improve the situation in view of the CG disclosures of IT sector. Both general and particular studies in the present context need to review to assess the exact amount of research in right perspective. A precise statement of the problem on the theme of the present research is presented Later on in this chapter. Mean while a brief review of existing literature on the subject in the form of empirical and evaluative studies, articles and reports of the various committees and commissions carried out hitherto in the area of corporate governance in general and corporate governance disclosures in particular is presented here to serve as a background for the present study to get greater insight into it, to identify the gaps of any to be filled in, and indicate the points of departure from similar studies. As for as possible, the review of works follow a chronological order.

Morck (1988) expounded that the company administration sacrificed the benefit of small stockholder to go after their benefit, because the administration has enough power to appoint CEO, director and board chair, so it made voluntary disclosure decreased.

Mckinnon and Dalimunthe (1993) check up economical incentive of voluntary disclosure of segment information among Australian diversified companies, and found that the extent of ownership concentration was a factor affecting voluntary disclosure.

Hart (1995) discusses the mechanisms for controlling management, how they came into existence and whether they need to be provided by statute. He outlines the “Chicago” argument that the market economy can achieve efficient corporate governance without government intervention. Accordingly, the Chicago view argues that there is no need for statutory corporate governance rules. Rather, that they will almost certainly be counter-productive as they will limit the founder’s ability to tailor corporate governance to their own individual circumstances.
CotelU (1995) regards corporate governance as being determined by the equity allocation among insiders (including executives, CEOs, directors or other individual, corporate or institutional investors who are affiliated with management) and outside investors.

Hart (1995) closely shares this view as he suggests that "corporate governance issues arise in an organisation whenever two conditions are present. First, there is an agency problem or conflict of interest, involving members of the organisation – these might be owners, managers, workers or consumers. Second, transaction costs are such that this agency problem cannot be dealt with through a contract.

Raffoumier (1995) found that the extent of ownership decentralization has a negative relation with voluntary disclosure through the research of the determinants of voluntary financial disclosure by Swiss listed companies.

Mark (1996) defines voluntary disclosures as the amount of additional information the companies provide to the capital market, in addition to the minimum disclosure requirements set by the SEC (Securities Commission). They state that firms have substantial discretion in the type of information to be disclosed and the amount of detail to be provided in such disclosure.

Ramsay & Hoad (1997) analysed the extent to which Australian companies disclose their corporate governance practices by examining the annual reports of 268 listed companies. They used content analysis method for the study. They found that the extent & quality of disclosure are typically better for larger companies as compared to small companies.

Xiao et al. (1997) investigated that contingent factors: user type, size, listing status, gearing ratio and management compensation plan could explain relationships between IT use and CFR.

Botosan (1997) found that firm's increasing disclosure can reduce the information asymmetry between managers and investors and thus reduce the cost of a firm's equity capital.

Varma (1997) questioned the sustainability of Anglo-Saxon corporate governance model in India context. He argues that the nature of corporate governance problems in India is different from that of the Anglo-Saxon countries. Here it is the exploitation of
minority shareholders by the dominant shareholders and not that of managers. The author argued that Indian private firms, the dominant shareholders are not the majority shareholders in most cases. Instead they control the firm through a complex shareholding pattern. It is sometimes difficult to establish the total effective holding of the promoter group. The state owned financial institutions which typically own a large chunk of shares were also known to take the side of the promoters even in case of corporate governance problems. In this environment, the Anglo-American form of corporate governance mechanism like control through board of directors, stringent regulatory norms might not be efficient in protecting the minority shareholders. In this system the capital market is more capable of disciplining the majority shareholders than the regulators or any other governance mechanism. The regulator can just facilitate the market to ensure corporate governance. The regulator cannot enforce corporate governance effectively as it involves micro management.

Shleifer and Vishny (1997) refer to agency problems as an essential element of the contractual view of the firm. Agency problems arise because of the separation of ownership and control. An entrepreneur/manager raises funds from investors to invest in positive NPV projects. Investors give funds to managers because they need their human capital to execute positive NPV projects. Therefore, investors, who really are the owners of the firm, give control of the firm to the managers. The managers have an implicit or explicit contract to return profits to the investors.

El-Gazzar (1998) expounded that organization investors possess stocks in some extent can make voluntary disclosure increased. In 1990s, researchers began to investigate that corporate governance could help to achieve voluntary disclosure.

Lopez-de-Silanes et al. (1998) went on to suggest that financial transparency performs a crucial role in corporate governance through the information which it provides to investors,

Holland (1998) provides descriptive incentives for the structural difference in managers’ voluntary disclosure choices but does not specify any internal cause for the structural difference.

John and Senbet (1998) propose the more comprehensive definition that “corporate governance deals with mechanisms by which stakeholders of a corporation exercise
control over corporate insiders and management such that their interests are protected (p. 372)". They include as stakeholders not just shareholders, but debt holders also and even non-financial stakeholders such as employees, suppliers, customers, and other interested parties.

**Healy et al. (1999)** suggested that the disclosure rating increases are accompanied by increases in firms' stock returns, institutional ownership, analyst following, and stock liquidity; their findings reinforce those from the management-forecast literature that voluntary disclosures are credible.

**Perry (1999)** finds evidence that incentive-based compensation for directors influences the level of monitoring by the board and through such compensation, firms can align the interest of directors and shareholders. Perry also finds that the likelihood of a firm adopting a stock-based incentive plan for directors is positively related to the fraction of independent directors on the board.

**Ashbaugh et al. (1999)** made a study on corporate reporting on Internet on 290 companies. It was found that corporate size was statistically and significantly correlated with Internet financial reporting.

**Craven and Marston (1999)** examined the extent of financial information disclosure on the Internet by the largest companies in the UK in 1998. The study found that there was no significant association between industry type and disclosure.

**Debreceny and Gray (1999)** studied financial reporting on the Internet and its implications for external audit by surveying forty five large listed UK, French and German corporations. A total of thirty-six of these corporations published their annual financial statements in HTML or Adobe Corporation's Acrobat.

**Brennan and Hourigan (2000)** found a positive association between industrial sector and web reporting, analysed the relationship between Internet disclosure and size, leverage, demand for corporate information and industry. Companies in the services and financial industries were significantly more likely to have a website.

**Hassan et al. (2000)** conducted a survey and found that the size and profitability of a firm are significant factors motivating to disclose financial information on such sites. An industry effect was found only to influence companies' decision significantly to have a corporate Website.
PCSU (2000) recommends four important separate but highly related factors that would lead to the development of corporate governance in Egypt. The report recommends the need for a strong, clear and well enforced legal framework. Also, it recommends the importance of enhancing disclosure levels to reach greater information disclosure. Finally the report recommends the need for independent, accountable, oversight managers, and other External factors.

Thomsen and Pedersen (2000) found the differences across countries in examining relation between ownership patterns and corporate governance in a study covering 12 European countries. The patterns of ownership concentration, believed to be a proxy for propensity to monitor organizational managers, also vary widely across countries.

Sarkar & Sarkar (2000) provided evidence on the role of large shareholders in monitoring company value from a developing and emerging economy like India, whose corporate governance system is a hybrid one. In line with other similar studies, this study also found that block holdings by directors to increase company value after a certain level of holdings. But it did not find any evidence that institutional investors, typically mutual funds, were active in governance. The results suggested that lending institutions start monitoring the company effectively only after the equity holdings cross substantial limit and this monitoring is reinforced by equity holdings by these institutions. The study provides evidence that foreign equity ownership has a beneficial effect on company value. In general, the analysis supports the view emerging from developed country studies that identity of large shareholders matters in corporate governance.

Chen and Jaggi (2000) analyzed the correlation between independent non executive directors and mandatory corporate governance disclosure. This study shows a positive correlation between the proportion of independent directors on corporate boards and financial disclosure. One might argue that this is because outside directors tend to encourage firms to disclose additional, not particularly requested information to stakeholders; thus an increasing proportion of independent board members would suggest more voluntary disclosure. Further research by Chen and Jaggi, however, shows that this relationship is weaker when considering family controlled firms in comparison to non-family controlled firms. A likely explanation
for this finding might be the assumption that non-independent board members of family controlled firms exercise their power over independent board members and thus control the information flow between the firm and its investors.

La Porta et al. (2000) argue that poor legal protection of investors in emerging markets weakens the effectiveness of disclosure. Strong legal protection would enable investors to act on disclosure, whereas weak protection hinders investors to rely on disclosure and future prospects, which makes disclosure less effective. La Porta et al. stress the need for outside protection of investors in order to make financial markets work; moreover, financial markets themselves should be regulated in order to create transparency and fairness especially regarding large firms that are state-owned or controlled by large families operating in various companies spread over different countries and markets.

Simon and Kar Shun (2001) investigated the relationship between corporate governance and voluntary disclosure in Hong Kong listed companies and found that ameliorating the supervision to board of directors could help to disclose more voluntary information in the premise of information theory and agency theory.

Ho and Wong (2001) noted that with regard to voluntary disclosure, there were four major corporate governance attributes provided by listed firms in the Hong Kong stock market, and subsequently found a number of significant relationships.

Gompers, et al. (2001) found that an investment strategy that bought (Long) high corporate governance rating firms and sold (shorted) the lowest and worst corporate governance firms would have out-performed the index by 8.5% during the period.

Surendar and Manish Khanduri (2001) explained that an absolute lack of disclosure norms from declaring the Net Asset Value of US-64 to inter-fund transfers- characterizes UTI’s functioning. Unit Scheme 1964 (US-64) is the Unit Trust of India’s largest and best known mutual fund scheme. With this scheme there was a trouble of disclosure policy. UTI discloses at the end of every quarter where it has invested about only 70% of US-64’s corpus.

Yoshikawa & Phan (2001) noted intensifying global competition and rapid technological changes result in lower price/cost margins which in turn force firms to focus on maximizing asset efficiency and shareholder value if they want to access
funds to fuel growth opportunities. Also technological advances reduce transaction costs and the costs of information research, rendering global capital markets more accessible to investors. This has fueled global competition between capital markets and the evolution of corporate governance around the world.

Simon S. M. Ho and Kar Shun Wong (2001), the study compares the perceptions of chief financial officers (CFOs) and financial analysts about a variety of information flow, disclosure and capital market efficiency issues. It also seeks to determine whether there is a perceived need for increased financial reporting regulations and to what extent this and other alternative means might improve market functioning. While both subject groups believed that a majority of firms only adopt a conservative one-way disclosure strategy and the existence of a communication gap, analysts perceived a much higher need than CFOs for increased financial reporting regulations. Neither group thought that enhancing disclosure requirements alone would suffice to close this gap. Instead, they suggested an improvement in the quality of the communication and disclosure processes through means such as choosing more appropriate communication media, formulating a more proactive disclosure strategy, enhancing investor relationship, and voluntarily reporting more information desired by users.

Standards & Poor's (Patel, Balic and Bwarkira, 2002) published a survey studying the effects of corporate governance disclosure (ownership structure, financial transparency, board and management structure) of 354 firms in 19 emerging markets documenting significant differences among countries. Transparency in Asian and South African markets was much better in comparison to Latin America, Eastern Europe and the Middle East. However, no differences among business sectors are found. Furthermore, the survey indicates that the correlation between transparent disclosure and crossholdings is negative, indicating less information disclosed to minority shareholders if large investors own a large proportion of the company. The correlation to price to book ratio is positive, suggesting a higher premium paid by the market for better disclosure - in line with McKinsey's findings.

Solomon and Park (2002a) developed a conceptual framework for corporate governance in Korea. They also examined some empirical evidence on the evolving role of institutional investors (2002b).
Chau and Gray (2002) investigated the relationship between corporate governance and voluntary disclosure in Hong Kong and Singapore listed companies. Voluntary disclosure in listed companies can improve the transparency of market transaction and the function of price mechanism in arranging resource. Researching on voluntary disclosure has more significance for Chinese listed companies in converting the economic system.

Ettredge et al. (2002) showed that mandatory reporting was statistically significant and positively correlated with size, return-profit ratio, need for capital, with information asymmetry and quality of reporting.

The McKinsey Quarterly (Newell and Wilson, 2002) published a study examining the association between good practices corporate governance and market valuation in 2002 arguing that corporate governance disclosure improves companies' financial performance and increases their market valuation, reduces risks and raises investor confidence. The study compares the level of corporate governance in 188 companies from India, Malaysia, Mexico, South Korea, Taiwan and Turkey and their market valuation measured by its price to book ratio. The companies' price to book ratio on the local stock exchange is compared to some key components of corporate governance like independence, shareholder equality and financial transparency. The main outcome of this study is that corporate governance is positively associated with price to book ratios indicating investors' willingness to pay a higher premium for shares in well governed companies in emerging markets. The findings of the surveys indicate a 12% increase in market valuation by moving from worst to best score in corporate governance disclosure. Moreover, their survey shows that countries like South Korea and Malaysia performed much better than India, Mexico and Turkey. The article explains this outcome by the Asian companies' effort to improve their corporate governance resulting from the 1997 Asian Crisis and the country's increasing requirements regarding corporate governance disclosure.

Parker, Peter and Turetsky (2002) investigated the association of various corporate governance attributes and financial characteristics in the survival of distressed firms. They found that firms replacing their CEO with an outsider were twice as likely to go bankrupt. They also found that large levels of insider ownership
were positively associated with a good outcome. Good corporate discipline can be a result of reaction to the marketplace or from within due to good corporate governance structures and or ownership.

Klein (2002) found that firms with a majority-independent board and/or audit committee have a lower level of discretionary accruals. She also found that when firms switched from a majority-independent to minority-independent board/audit committee they experienced a higher amount of abnormal accruals. Klein’s study demonstrates that accounting related disclosures may be a function of the governance structure that is in place.

Bhojraj and Sengupta (2003) examined the association between corporate governance disclosure mechanisms, bond ratings and yields analysing a sample of 1005 debt issues collected from the Warga Fixed Income Base between 1991 and 1996. The study indicates a positive correlation between disclosure and bond ratings and a negative relation between disclosure and bond yields showing how governance mechanisms can reduce risk and information asymmetry between companies and lenders. Furthermore, Bhojraj and Sengupta find that this relationship is especially significant when regarding firms that have greater institutional ownership and stronger outside control and note that corporate governance disclosure lowers a firm’s default risk and reduce potential conflicts of interest through increased transparency.

Gupta et al. (2003) studied the corporate governance reporting practices of 30 listed companies in Bombay Stock Exchange (BSE), Sensex by extracting corporate governance section from the annual report. According to them although the companies provided information related to all dimensions there was considerable variance in the extent and quality of disclosure made by the companies in the annual report.

Daily et al. (2003) defined corporate governance as ‘the determination of the broad uses to which organizational resources will be deployed and the resolution of conflicts among the myriad participants in organizations’. The various mechanisms of corporate governance that go towards such deployment of resources and resolution of conflict among interested parties can be explained by the agency and stewardship theories.
Eng and Mak (2003) published an article about corporate governance and voluntary disclosure examining the impact of ownership structure and board composition on voluntary disclosure. The board composition is measured by the percentage of independent directors. Eng and Mark surveyed the annual reports of 158 Singaporean firms in 1995; The survey indicates a positive correlation between voluntary disclosure and the proportion of independent directors. Distinguishing between managerial ownership, block holder ownership and government ownership and comparing it to voluntary disclosure of strategic, financial and non-financial information, the survey indicates that lower managerial ownership and higher government ownership are associated with higher rate of voluntary disclosure, whereas no correlation to block holder ownership was found.

Qiao Xudong (2003) checked up the relationship between independent director and the extent of voluntary disclosure and found that there was a close relationship between them.

Zhang Zongxin and Guo Laisheng (2003) investigated the availability of voluntary disclosure in Chinese listed companies and found that the ratio of circulated stocks, ownership concentration and other factors of corporate governance affected the index of voluntary disclosure at a lower level.

Oyelere et al. (2003) indicated that some determinants of traditional financial reporting—firm size, liquidity, industrial sector and spread of shareholding—are determinants of voluntary adoption of Internet Financial Reporting (IFR).

Geerings (2003) highlighted a size effect i.e. large companies use the Internet for investor relations purposes more extensively than smaller companies.

Marston (2003) concluded that variable of profitability, industry and listing of shares was not statistically and significantly correlated with the existence of a website or with the level of financial reporting.

Montgomery (2003) points out that the three major members in the corporate governance system are the shareholders, the board and the management. The communication between management and shareholders is through corporate disclosure. The link between the management and the board is the strength of the
board practices. In his study he found that analyzing the board practices is relatively tough as it is mostly confidential. But disclosure, the other element of corporate governance practices can be easily analyzed.

Mohanty (2003) suggests that companies with good corporate governance measures are easily able to borrow money from financial institutions as compared to companies with poor corporate governance measures. Moreover, there is evidence that mutual funds have invested money in companies with a good corporate governance track record as compared to companies with a poor CG track record. By making use of a simultaneous equation approach, this study wraps up by saying that this positive relationship is a result of the “mutual funds (development financial institutions) investing (lent money) in companies with good governance records” and also because “their investments have helped to enhance the financial performance of such companies”.

Krishnan (2003) suggested that auditing external plays an important role in constraining opportunistic earnings management. Besides corporate governance practices, firm size and ownership structure also play important role in restraining opportunistic earnings management. However, the extant literature has not examined these.

Jones (2003) has found a direct linkage between share price and good corporate governance practice and concluded as “There have been links between levels of corporate governance and share price performance. It always comes back to the question of the extent to which good corporate governance and share holder activism affect a company’s share price.” Here he tried to prove his hypothesis through the development of corporate governance score card which later on was adopted by EUROMONEY in the year 2003. (Durga Prasad Samontaray, 2010).

Faleye (2003) perhaps presents an interesting proposition. He argues that no ‘one hat fits all’ and board leadership structure depends entirely on the characteristics individual firm such as organizational complexity, availability of other controls over CEO authority and CEO reputation and power. Using a sample of 2,166 U.S. companies, he found that companies with complex operations (implying need for CEO to make swift actions), alternative control mechanisms and sound CEO reputation are more likely to have CEO duality.
Standard & Poor's (2004) study assessed the disclosures regarding corporate governance practices among the largest listed companies in Indonesia, Singapore, Malaysia, Thailand and Honkong using the score card developed by Standard & Poor's. It highlighted the companies with highest standards of disclosures on their corporate governance practices. For instance and objective comparison, the study focused only on annual report disclosure. They found considerable variation among the sample companies and finally they compared the disclosure practices with top five companies in each of the country.

Chen (2004) examined the effects of corporate governance using the data of a survey on corporate governance of 604 companies by Credit Lyonnais Securities Asia. They found that a high level of disclosure could significantly lower the cost of equity, whereas this relationship was only significant in countries with weak investor protection. Comparing their findings to a country's governance environment they conclude that firm-level protection and country level protection were substitutes to each other when assessing the cost of equity. Chen concluded by stressing the importance of legal systems regulating and controlling disclosure in order to make corporate governance disclosure effective.

Li Xiangyu and Fu Xiuming (2004) investigated the relationship among ownership structure, constitution of the board of directors and the extent of voluntary disclosure, and the result showed that the ratio of the first stockholder had U pattern relationship with the index of voluntary disclosure, and the ratio of independent directors had no obvious relationship with the index of voluntary disclosure.

Fahri et al. (2004) postulated a research model to contain three organisational independent variables – company size, financial condition, and technological readiness – that are believed to influence internet adoption within SMEs. Company size was found to be positively related to only the overall internet-adoption measure and none of its components.

Marston and Polei (2004) researched into 50 biggest German corporations during 2002 and 2003. Percentage of free float of shares and listing of shares were positively correlated with the level of financial reporting.

Fawzy (2004) reported that listed companies in Cairo, Alexandria, and Stock Exchange have four important characteristics that make them special: (1) most companies are closely held, (2) considerable state ownership in privatized
companies, (3) weak board independence, and (4) disclosure is not a common practice. These characteristics would definitely have a strong impact on the implementation of corporate governance in Egypt.

**World Bank (2004)** initiated a survey about corporate governance, investor protection, and performance in emerging markets. The overall result of that survey was that good governance positively correlates with market valuation, measured in price to book ratio and operating performance measured in return on assets whereas those correlations are even stronger in countries with weak legal systems. One possible explanation for this might be the assumption that firms in countries with weak legal structures would want to adopt better firm level governance in order to counterbalance the weakness in their country's laws and signal their intention to offer greater investor rights. The survey moreover indicates that in general, firms in countries with weak legal systems disclose less information which might be due to the assumption that weak legal systems decrease the effectiveness of disclosure practices (Klapper and Love, 2004).

**Roberts (2004)** explored the place for ethics in Corporate Governance and concluded that it is hard to find a place for ethics within agency theory assumptions since moral hazard is ensured by prevalence of self interested opportunism that can, at best, only be constrained. Here ethics needs justification in terms of some threat or benefit that accrues from ethical conduct and can only be ensured through monitoring and controls. The paper discussed 'the ethics of narcissus' where the problem of ethics was cast in terms of the desire to be seen as ethical and, at worst, the recent proliferation of codes of ethics as well as environmental and social reports viewed as a knowing attempt to counter criticism through the building/restoration of corporate image with the corporations themselves being the prime beneficiaries of such presentations. The author refers to the combination of reports and codes complimenting new forms of internal measurement and reward as being more of consequence.

**Collett and Hrasky (2005)** analyzed the relationships between voluntary disclosure of CG information by the companies and their intention to raise capital in the financial market. A sample of 299 companies listed on Australian stock exchange had been taken for the year 1994 and Connect-four database had been used for
collection of annual reports of companies. The study found out that “only 29
Australian companies made voluntary CG disclosure, and the degree of disclosures
varied from company to company.”

Bhattacharyya and Rao (2005) examined whether adoption of Clause 49 predicts
lower volatility and returns for large Indian firms, they compared a one-year period
after adoption (starting from June 1, 2001) to a similar period before adoption
(starting June 1, 1998). The logic is that Clause 49 should improve disclosure and
thus reduce information asymmetry and thereby reduce share price volatility. The
authors found insignificant results for volatility and mixed results for returns.

Paolo Fulghieri and Matti Suominen (2005) found that the quality of the corporate
governance system may have a significant impact on the economy’s level of
competition and its degree of industry concentration. Poor corporate governance and
low investor protection may, in fact, lead to high industry concentration.

Adham and Ahmad (2005) examined the adoption rates of web site and e-
commerce technology by all 562 Malaysian public listed companies. Of the 562
companies, only 62 percent (351) were found to have operable web sites; and of
351, 96 percent (336) were solely informational, leaving only 4 percent (15) that
were equipped for e-commerce transactions.

Standard & Poor’s governance analysts Dallas and Chavee (2005) published a
commentary report on the role of country risk in assessing corporate governance
contrasting foreign currency credit ratings with external governance related
indicators (market environment, legal environment, regulatory environment and
informational infrastructure) of 21 countries including nine emerging markets in
2005. They found that sovereign credit ratings correlate positively with corporate
governance environments: as expected AAA rated sovereigns show superior
governance environments, whereas BB or lower rated sovereigns have rather weak
government environments. However, countries like India and Brazil distinguish
themselves positively comparing their strong governance environment to their weak
foreign currency rating. Nevertheless, countries like Spain, France and Italy have
relatively good foreign currency ratings but weak legal, infrastructural, regulatory
and informational governance environments.
Khadaroo (2005) compared the internet reporting practices of Malaysian listed companies with those in Singapore and found that the listed companies of Singapore had greater web presence as compared to Malaysia.

Pervan (2005) found that joint stock companies in the tourist sector were shown not to have a propensity for Internet financial reporting. The study concluded that bearing in mind the expected growth of GDP, the growth of the capital market, with the constant growth in the number of Internet users, investment in financial reporting on the Internet could be a useful decision for joint stock companies that wish to enhance the transparency of their operations.

KPMG (2005) in this study commented that economic concerns drive the decision to disclose non-financial information (including governance) for almost 75% of the firms they surveyed, while ethical issues (integrity and values) are listed as divers for disclosure by 50% of their sample firms. The economic implications of governance and other intangible factors became so great that incorporating them into investment decisions was considered by some a fiduciary duty, especially for investors with long-term global horizons.

Rajesh Chakrabarti (2005) said that the problem of corporate in India is different from that of the Anglo-Saxon environment. In India, the problem is the exploitation of minority shareholders by the dominant shareholders, whereas in the Anglo-Saxon environment, it is exploitation of shareholders by the managers. The author argues that in the Indian context, the capital market is more capable of disciplining the majority shareholders than the regulators. The regulator can just facilitate the market to ensure corporate governance. It cannot enforce corporate governance effectively, since it involves micro-management.

Shiw Kumar Jiloka (2006) mentioned that disclosure is regarded as a process through which a business enterprise communicates to third parties. Government and other regulating bodies like ICAI, SEBI propagate expanded disclosure in annual reports on the hand but at the time the Government through section 210 of the companies has to disclose the maximum possible information. It may be helpful to the Government in making disclosure laws to the ICAI and SEBI in considering the areas of disclosure regarding which some standards or guidelines need to be issued.
Barako et al., (2006) examined the extent of voluntary disclosure by the Kenyan companies over and above the mandatory requirements. This study covered a period of 10 years from 1992 to 2001. The results revealed that “the audit committee was a significant factor associated with level of voluntary disclosure, while the proportion of non-executive directors on the board was negatively associated.”

Arcot & Bruno (2006) examined the effectiveness of ‘comply or explain’ with respect to corporate governance in the U.K. For the study, they used database of non-financial companies. They made a detailed analysis of both the degree of compliance with the provisions of corporate governance code of best practices as well as explanations given in case of noncompliance. The study revealed an increase in the trend for compliance as well as use of uninformative explanations in case of non-compliance.

Subramanian (2006) identified the differences in disclosure pattern of financial information and governance attributes. A sample of 90 companies from BSE 100 index, NSE Nifty had been taken. The data with respect to disclosure score had been collected from the annual reports of the companies for the financial year 2003-04. The study used the Standard & Poor’s “Transparency and Disclosure Survey Questionnaire” for collection of data. The study finally concluded that “there were no differences in disclosure pattern of public/private sector companies as far as financial transparency and information disclosure were concerned.”

K. C. Gupta (2006) traced out the differences in CG practices of few local companies of an automobile industry. The data with respect to governance practices had been collected from the annual report of the companies for the year 2004-05. The study “did not observe significant deviations of actual governance practices from Clause 49.”

Morck, Yeung and Yu (2006) argued that weak legal protection of private property rights makes informed risk arbitrage in emerging markets unattractive and thus renders disclosure ineffective. According to Morck, Yeung and Yu, weak legal protection in emerging markets discourages investors from capitalizing on firm specific information; it is rather market wide flow of information or events that result in changes of demand and thus stock prices. Consequently synchronous stock
price movements are observed. On the contrary, stock prices in countries with a higher GDP move in a rather unsynchronized way. Another explanation for their finding might be the assumption that firm earnings among companies in countries specialized in certain industries change simultaneously as an effect of industry events.

Craig Doidge, G. Andrew Karolyi, and René M. Stulz (2006) showed that the incentives to adopt better governance mechanisms at the firm level increase with a country's financial and economic development. Further, these incentives increase or decrease with a country's investor protection depending on whether firm-level governance mechanisms and country-level investor protection are substitutes or complements. The study observes that when economic and financial development is poor, the incentives to improve firm-level governance are low because outside finance is expensive and the adoption of better governance mechanisms is expensive.

Momany and Shorman (2006) investigated the extent of financial reporting on the internet of the Jordanian companies. On average, the results indicated that companies that report financial information on their websites were larger, more leveraged, had more concentrated ownership, had more international investors, and were more recent than non-web-based companies.

Pervan (2006) analysed the voluntary financial reporting practices of Croatian and Slovene listed joint stock companies and found statistically significant but negative correlation was established for two sectors, tourism and marine transport. Only one sector, transport, was significantly and negatively correlated with the IFR score.

Shiw Kumar Jiloka (2006) mentioned that disclosure is regarded as a process through which a business enterprise communicates to third parties. Government and other regulating bodies like ICAI, SEBI propagate expanded disclosure in annual reports on the hand but at the same time the Government through section 210 of the companies has to disclose the maximum possible information. It may be helpful to the Government in making disclosure laws to the ICAI and SEBI in considering the areas of disclosure regarding which some standards or guidelines need to be issued.
Andy Mullineux (2006) considered the implications of the banks fiduciary duty to their depositors (as well as the shareholders) and the government's fiscal duty to taxpayers (in the presence of deposit insurance) for the corporate governance (CG) of banks. The author outlined recent contributions to the literature and assessed in the context of the asymmetric information literature relating to banking. From a survey the authors found that the good CG of banks requires regulation to balance the interests of depositors and taxpayers with those of the shareholders.

Boesso and Kumar (2007) identified that in addition to investors' information needs, factors such as company emphasis on stakeholder management, relevance of intangible asset, and market complexity affect both the volume as well as the quality of voluntary disclosures.

Javed & Iqbal (2007) analysed as to whether difference in the quality of firm-level corporate governance has an effect on the firm-level performance of the companies listed in the Karachi Stock Exchange. They used Tobin's Q & total Corporate Governance Index (CGI) for the study. They analysed 50 firms for the study. They found that ownership, shareholding & board composition enhanced firm performance while transparency & disclosure have no significant effect on firm performance. The literature review reveals that relatively less attention has been paid to the concept of corporate governance in India as compared to the rest of the world & this created the need for this study.

Bremer and Elias (2007) investigated the challenges and assessed the progress of corporate governance in Egypt. They concluded that Egypt started to appreciate the need to introduce corporate governance in the Egyptian businesses. However, they reported that there are many integral factors that hinder the development of corporate governance in Egypt like: (1) family owned or closely held corporations dominate the Egyptian private sector, (2) State owned enterprise still play a major role in the Egyptian Economy, (3) new and thin capital market, and (4) lack of awareness of corporate governance concepts and benefits, lack of board independence and weaknesses in the Egyptian economic structure.

Morrison Handley-Schachler, Linda Juleff, Colin Paton (2007) attempted to overview the goals of corporate governance in the financial services sector from a theoretical perspective. The broad parameters of corporate governance are discussed.
from a theoretical perspective. The main attention of this paper is banks and a key issue like the typical structure of their balance-sheets – high leverage, and a mismatch in their assets and liabilities mean that it is imperative that they keep lenders’ confidence and imply a wider duty of care for bank directors. From the survey the authors concluded that External regulators (FSA) and auditors have vital oversight functions which should encourage sound governance practices.

Litvak (2007a) studied market reaction to the adoption of SOX, and found a negative reaction of cross-listed companies subject to SOX, compared to control group of non-cross listed companies and cross-listed companies not subject to SOX from the same country. The reaction is more negative for already high-disclosing firms and less negative for faster growing firms.

Racha Ghayad (2008) aimed to study the operation of Islamic banks and the elements which determine their performance. This paper supposes that corporate governance of Islamic banks imposes an important constraint on the operations Islamic banks. The author found from the paper that the performance of an Islamic bank -- as a company based on principles of Islam – is affected not only by the internal variables of quantitative nature (for example financial ratios) but also by the internal qualitative variables like the managerial variables. Moreover, the performance of an Islamic bank and a conventional bank should not be measured in the same way because of their divergence on the level of the objectives. The Shari’a member must have a qualification in finance and commerce to ensure better quality of supervision and consultation.

Anne Abraham, Hemant Deo, Helen Irvine (2008) aimed to focus on a number of unexpected disclosures by major Australian banks to highlight the subjectivity of financial reports and their failure to present an accurate portrayal of the underlying realities and proposed that corporate governance disclosures are required to provide reassurance that financial reports are trustworthy. The authors found that disclosures about corporate governance practices play a strong legitimizing role, enhancing perceptions that financial reports correspond with organizational realities.

Li et al. (2008) designed a framework to establish adaptive web presence and evolution through web log analysis. They revealed the relationship between the web traffic workload and a few factors such as the domains names and geographic
locations. Their patterns shed light on how to design a better web and enhance its performance. Tong et al. (2008) applied a holistic trust model and conducted a preliminary survey to evaluate the importance of the trust factors on the adoption of Internet-based Inter-Organisational Systems (IIOS).

Vrajlal Sapovadia (2008) critically examined the relevant accounting standards and such practices in India, to evaluate potency and fairness vis-à-vis Good Corporate Governance. As per OECD principles of Corporate Governance, Accounting Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosures. The application of high quality standards is expected to significantly improve the ability of investors to monitor the company by providing increased reliability and comparability of reporting and improved insight into company performance. The quality of information substantially depends on the standards under which it is compiled and disclosed.

Holder Webb et al (2009) examined a sample of 50 US firms & their public disclosure packages from 2004. They found that smaller firms provided fewer disclosures pertaining to board selection procedure, oversight of management & independence as compared to larger firms who provided more disclosures relating to audit committee matters, board selection procedure, independence standards & whistle blowing procedure. They also found that boards that were of lesser independence provided less information relating to management oversight & independence matters.

Naser Abdelkarim et al (2009) carried out a study to investigate the perception of users regarding the availability, adequacy, and usefulness of information disclosed in the financial reports of companies listed on the Palestine Securities Exchange (PSE). Results of the study demonstrated that users perceive reported information as neither adequate nor relevant to investment decisions. In particular, reported information was insufficient, as listed companies did not comply with the minimum disclosure requirements of international standards. This unfavorable perception, along with poor credibility and bad timeliness of the disclosures, has prevented information from being impounded into stock prices. The study presented a number of recommendations that may be helpful in improving the efficiency of the PSE, which in turn will contribute to the Palestinian economy as a whole.
Madan Lal Bhasin (2009) analyzed the CG disclosure practices in India using the secondary sources of information, both from the Report on CG and the Annual Report of Reliance Industries Limited (RIL) for the financial year 2008-2009. The researcher has developed his own model as a ‘working’ method. In order to ascertain how far this company is compliant of CG standards, a ‘point-value-system’ has been applied which showed ‘very good’ performance, with an overall score of 85 points and concluded that RIL group is in the forefront of implementation of best CG practices in India.

Bala N Balasubramanian (2009) studied the corporate governance practices of firms in India prior to clause 49 of listing agreement made mandatory to all listed companies. He provided a detailed overview of the practices of publicly traded firms in India, and identified areas where governance practices are relatively strong or weak. Also he examined whether there is a cross-sectional relationship between measures of governance and measures of firm performance and found evidence of a positive relationship for an overall governance index and for an index covering shareholder rights. The association is stronger for more profitable firms and firms with stronger growth opportunities.

Bernard S. Black (2009) examined the corporate governance practices of Brazilian public companies to identify areas where their governance is relatively strong and weak. Many firms have small boards, comprised entirely or almost entirely of insiders or representatives of the controlling family or group. Even some very large firms have no independent directors. Formal board processes are limited. Audit committees are uncommon. But many firms use a substitute body to the fiscal board which does not demand that the firm have independent directors to staff the audit committee.

Sungho Choi, Iftekhar Hasan, Maya Waisman (2009) investigated the impact of corporate governance on the risk and return of Korean banks during the 10 years that followed the financial crisis era. In particular, they investigated the ownership structure of banks, the extent of involvement of foreign institutions and investors in ownership and board membership of Korean banks, and the heterogeneity of board structure on bank performance. The authors found from the research that foreign ownership, the extent of external board involvement and the presence of foreign directors on the board are associated with significantly higher bank returns. Although foreign ownership and the number of outside board directors are
associated with lower risk, the involvement of foreign board members is positively associated with risk.

Sanjay P. S. Dessai and Dr. I Bhanumurthy (2010) in their study made an attempt to evaluate the corporate governance and disclosure practices followed by 30 SENSEX companies by examining the annual reports for financial year which ended by 31st March 2009. The major thrust of this study is on Composition of Board of Directors, Audit Committee and Shareholders Grievance Committee. The study found that corporate governance and disclosure practices followed by SENSEX companies are very good with an exception of just one or two items.

Dilek Demirbas, Andrey Yukhananov (2011) examined the role of the board of directors in Russia with specific attention to their independence, employee relations and ability of successful adaptation of the international standards. The authors used a survey questionnaire to provide an empirical example from a transition economy to the corporate governance literature by exploring the attitudes of the 55 board directors from 30 listed companies on the Russian Trading System (RTS) Stock Exchange. The authors concluded that the board of directors is as an important instrument of efficient and good corporate governance practice. More surprisingly, they are also in favour of employee representatives on the board of directors and agreed that the size and composition of the board should be enhanced by including employee representatives on the board.

Yiming Hu, Siqi Li, Thomas W. Lin, Shilei Xie (2011) attempted to examine whether Chinese banks exercise effective monitoring over borrowers in two lending decisions, including loan interest rates and loan renewals. The author used a sample of Chinese public industrial firms from 2000 to 2005, and performed multivariate regression analysis to investigate whether banks adjust their loan interest rates and consider loan renewal decisions in response to borrowers financial performance. The authors also examined these bank lending decisions before and after 2003, when the major banking reforms started to take place in China. A negative relation was found between the loan interest rate spread and the financial performance of borrowers. However, a negative relation was found between loan renewals and the financial performance of borrowers, consistent with firms in financial difficulties being in need of more funding and hence more likely to get their bank loans renewed. Additionally, it was found that the factors banks consider when making loan decisions vary before and after 2003.
Arijit Sen (2011) this study sought to determine the extent to which Indian listed companies disclose their corporate governance practices by examining the annual reports of 50 listed companies. Also, the determinants of disclosures have been looked into. They are concluded that there is a substantial scope for improvement in the corporate governance disclosure practices and the size of the company is a significant determinant of disclosures.

Swati Patel, Rashesh Patel (2012) The researchers attempted to analyze the level of corporate governance norms been adhered to by major IT companies of India as per the guidelines of International Financial Corporation and the Corporate Governance norms of Securities and Exchange Board of India. They tried to develop a conceptual understanding of correlation between various parameters of companies' transparency, disclosures and provided comparative average scores of last three years of performance on a score card adopted. It is an empirical analysis of the corporate governance dimensions of high and low-performing companies with the phase of the research based on the data gathered from the annual report disclosures of the companies. The sample was selected on the basis of Market capitalization for the assessment year 2011-12. The authors found varied levels of differences in disclosures and transparency levels of Indian IT companies. The analysis showcases the fact that different companies have different weight age on parameters analyzed as per Clause 49 of SEBI’s listing agreement. 

Statement of the Problem

Most of Indian corporate governance shortcomings are no worse than in other Asian countries and its banking sector has one of the lowest proportions of nonperforming assets, signifying that corporate fraud and tunneling in India are not out of control. The governance of most countries' industrial and business organisations in India has thrived on unethical business practices at the market milieu. These organisations have shown scant regard for human and organisational values while dealing with their stakeholders in the organisation. Industrial growth along with the development of corporate culture began in India since independence. But most industrial and business organisations relied for their success on unethical practices at the market place. The increasing corruption in the government and its various services had kept the managements of country's industrial and business organisations above accountability for their misdeeds encouraging them to indulge in more and more unethical practices. The dominating and monopolistic state-owned
Organisations in the country’s economy passed on the costs of their corporate misgovernance to the helpless consumers of their products and services. Organisations in the private sector, barring a few exceptions also indulged in all possible unethical practices to fleece their customers and denied the benefits to them. The scams discovered in a number of large privately owned corporations during the last two decades clearly indicate the nature and extent of corporate misgovernance that exists in the private sector. The recently developed interest in corporate governance in India is the result of a spate of corporate scandals that shook the country during the early liberalization era.

In the light of above circumstances, many suggestions have been made. But no study has been carried out so far relating to Corporate Governance and Disclosure Practices in IT companies in India. That too, the studies in the sphere of corporate governance surveyed hitherto appeared to have focused attention on general aspects without covering any specific problem of corporate governance and disclosure practices. Moreover, it does not seem to have existed any research study so far which covers all the related aspects of corporate governance in general and disclosure practices in IT companies’ in particular and as such no specific efforts have been made so far. Hence, the present study “Corporate Governance and Disclosure Practices in Listed Companies – A Study of Select IT Companies in India” focuses on various Corporate Governance mechanism, practices and its disclosures. Thus a modest attempt to fill the gap has been made.

Significance of the Study

As a result of the interest generated in the corporate sector by the Cadbury Committee’s report of the United Kingdom, the issue of corporate governance was studied in India in depth and dealt with by the Confederation of Indian Industry (CII), the Associated Chambers of Commerce and the Securities and Exchange Board of India (SEBI). Although some studies have focused on the shareholders’ rights and a few other issues of a general nature, none can claim to be wider and more comprehensive than what the Cadbury report has covered. The amount of research carried out in CG in India is negligible and lacks research evidence to make effective comparisons with its counterparts and developed economies to strengthen the CG’s codes and mechanism and its disclosures. It is imperative to generate research literature on the subject. Therefore the present study makes an attempt to analyse the CG mechanism and disclosures practices and its effectiveness in the
Indian context. It pointedly raises some research questions such as the following: CG in vogue in the Indian Corporate context, background of the CG, the drivers of CG, the need for CG reforms, good disclosure practice, CG Codes and disclosures world over and the compliance of best codes of governance and disclosures. This study is based on these questions. And hence the present critical study of the different aspects of the corporate governance and disclosure practices in India stands significant undoubtedly.

Objectives

The study purports to assess the Corporate Governance and disclosure practices in select listed Information Technology (IT) Companies in India. As a part of this inquiry, it furnishes a detailed analysis of the various developments, challenges in Corporate Governance and disclosure practices in Indian context. It also analyses and compares the results with the global studies on similar lines. To be more specific, the prime objectives of the investigation are:

1. To trace the evolution, rationale and development of Corporate Governance.
2. To review the framework of Corporate Governance disclosure, Bench marks and guidelines.
3. To study the Corporate Governance structure and mechanisms in IT sector in India.
4. To study Corporate Governance practices in IT companies and their profile.
5. To dwell upon Corporate Governance disclosure practices in select IT companies in India.

Methodology

The present study surveys the Corporate Governance and Disclosure practices in Indian Corporate IT sector. For this purpose it makes use of secondary data. The study adopts a two-way approach. First, it focuses on the evolution of CG, its structure, mechanism, regulatory framework, codes of CG and its implementation and so on; secondly, on the sample companies to assess the efficiency of CG and its Disclosures. Further, the study makes a judicious use of the various reports of the Ministry of Corporate Affairs, SEBI and other global agencies. The study involves using the corporate governance disclosure scorecard to rate the corporate
governance practices of the sample companies. The scorecard items reflect principles and best practices embodied in international corporate governance codes.

Sample Design

The present study intends to cover some of the top 10 listed Information Technology (IT) companies. Keeping in view the availability of data on uniform terms, to draw conclusions logically, only 6 companies have been selected for in-depth study out of top ten IT companies. These sample companies are top companies in terms of exports as per Electronics and Computer Software Export Promotion Council (ESC). Being part of the index, they are likely to be of the greatest interest to international investors. Further, these companies are expected to practice relatively higher standards of corporate governance than other listed companies and can be role models of corporate governance for others.

Sources of Data

The study basically depends on secondary data. The secondary data was collected from the relevant publications of Government of India, Ministry of Corporate Affairs, SEBI and other world organizations and Websites of the sample companies.

Tools of Analysis

The study extensively made use of the corporate governance disclosure scorecard developed by Standard & Poor’s to assess the corporate governance disclosure practices of the companies. This scorecard consists of 115 items with a maximum score of 129 and was designed to ensure maximum objectivity in assessing the companies. The scorecard items reflect principles and best practices embodied in international corporate governance codes, suitably modified for the Indian environment. The data collected (secondary data) was classified, calculated, tabulated and analysed using appropriate tools such as percentages, One-way ANOVA.

Period of the Study

The present study has been carried out covering a period of 8 years commencing from 2004-05 to 2011-12. This period is felt to be quite satisfactory to evaluate the Corporate Governance and Disclosure Practices of select Listed Information technology (IT) Companies in India.
Scope and Limitations of the Study

The sample units were selected based on the performance. It covers only Corporate Governance mechanisms and disclosure practices.

Chapter Layout

The thesis is divided into SEVEN chapters as detailed below

Chapter -I: Introduction and Research Methodology: It covers a brief account of the need and importance of the corporate governance and disclosure practices, review of literature followed by methodology adopted for the study.


Chapter -V: Corporate Governance Practices in Sample IT Companies in India: It deals with the profile of sample IT companies - Corporate Governance Disclosure Practices in sample companies are discussed.

Chapter -VI: Corporate Governance Disclosure in Select IT Companies in India: It discussed the Corporate Governance Disclosures Standards in vogue - Clause 49 of the Listing Agreement - Transparency and Disclosure - The Role of Disclosure in Improving Corporate Governance - Corporate Governance Disclosures Practices in Sample IT companies by using Score Card, etc.,

Chapter -VII: Summary of Findings and Suggestions: A brief summary of the study and practicable suggestions for improving the Corporate Governance Disclosure Practices are presented.
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53
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