

Corporate Governance in India

***Dr. Anupam Jain**

Abstract

Corporate governance is associated with the set of principles, ethics, values, morals, rules regulations, & procedures etc. It establishes a system whereby directors are entrusted with duties and responsibilities in relation to the direction of the company's affairs. The term "governance" means control i.e. controlling a company, an organization etc. or a company & corporate governance is governing or controlling the corporate bodies i.e. ethics, values, principles, morals. For corporate governance to be good the manager needs to meet its responsibilities towards its stake holders like owners (shareholders), creditors, employees, customers, government and the society at large. Corporate governance helps in establishing a system where a director is showered with duties and responsibilities of the affairs of the company.

In this paper I have find out the need and importance of Corporate Governance and issues related to this. For effective corporate governance, its policies need to be such that the directors of the company should not abuse their power and instead should understand their duties and responsibilities towards the company and should act in the best interests of the company in the broadest sense. The concept of 'corporate governance' is not an end; it's just a beginning towards growth of company for long term prosperity.

Key Words: Corporate Governance, stake holders, apparent relation, Disclosure, transparency, & Accountability etc.

History & Need of Corporate Governance

Corporate governance concept emerged in India after the second half of 1996 due to economic liberalization and deregulation of industry and business. With the changing times, there was also need for greater accountability of companies to their shareholders and customers. The report of Cadbury Committee on the financial aspects of corporate Governance in the U.K. has given rise to the debate of Corporate Governance in India.

Need for corporate governance arises due to separation of management from the ownership. For a firm success, it needs to concentrate on both economic and social aspect. It needs to be fair with producers, shareholders, customers etc. It has various responsibilities towards employees, customers, communities and at last towards governance and it needs to serve its responsibilities at the best at all aspects. The "corporate governance concept" dwells in India from the Arthshastra time instead of CEO at that time there were kings and subjects. Today, corporate and shareholders replace them but the principles still remain same, unchanged i.e. good governance. 20th century witnessed the glossy of Indian Economy due to liberalization, globalization, and privatization. Indian economy for the 1st time here was together with world economy for product, capital and lab our market and which resulted into world of capitalization, corporate culture, business ethics which was found important for the existence of corporation in the world market place.

Role of Law in Corporate Governance

Law can only provide a minimum code of conduct for proper regulation of human being or company. Law is made not to stop any act but to ensure that if you do that act, you will face such consequences

i.e. good for good and bad for bad. Thus, in the same manner, role of law in corporate governance is to supplement and not to supplant. It cannot be only way to govern corporate governance but instead it provides a minimum code of conduct for good corporate governance. Law provides certain ethics to govern one and all so as to have maximum satisfaction and minimum friction. It plays a complementary role. Role of law in corporate governance is in Companies Act which imposes certain restrictions on Directors so that there is no misrepresentation of documents, there is no excessive of power, so that it imposes duty not to make secret profit and make good losses due to breach of duty, negligence, etc., duty to act in the best interest of the company etc.

Important Issues in Corporate Governance

There are several important issues in corporate governance and they play a great role, all the issues are inter related, interdependent to deal with each other. Each issues connected with corporate governance have different priorities in each of the corporate bodies.

1. Value Based Corporate Culture

For any organization to run in effective way, it needs to have certain ethics, values. Long run business needs to have based corporate culture. Value based corporate culture is good practice for corporate governance. It is a set of beliefs, ethics, principles which are inviolable. It can be a motto i.e. A short phrase which is unique and helps in running organization, there can be vision i.e. dream to be fulfilled, mission and purpose, objective, goal, target.

2. Holistic View

This holistic view is more or less godly, religious attitude which helps in running organization. It is not easier to adopt it, it needs special efforts and once adopted it leads to developing qualities of nobility, tolerance and empathy.

3. Compliance with Laws

Those companies which really need progress, have high ethical values and need to run long run business they abide and comply with laws of Securities Exchange Board Of India (SEBI), Foreign Exchange Regulation Act, Competition Act 2002, Cyber Laws, Banking Laws etc.

4. Disclosure, Transparency, and Accountability

Disclosure, transparency and accountability are important aspect for good governance. Timely and accurate information should be disclosed on the matters like the financial position, performance etc. Transparency is needed in order that government has faith in corporate bodies and consequently it has reduced corporate tax rates from 30% today as against 97% during the late 1970s. Transparency is needed towards corporate bodies so that due to tremendous competition in the market place the customers having choices don't shift to other corporate bodies.

5. Corporate Governance and Human Resource Management

For any corporate body, the employees and staff are just like family. For a company to be perfect the role of Human Resource Management becomes very vital, they both are directly linked. Every individual should be treated with individual respect, his achievements should be recognized. Each individual staff and employee should be given best opportunities to prove their worth and these can be done by Human Resource Department. Thus in Corporate Governance, Human Resource has a great role.

6. Innovation

Every Corporate body needs to take risk of innovation i.e. innovation in products, in services and it plays a pivotal role in corporate governance.

7. Necessity of Judicial Reform

There is necessity of judicial reform for a good economy and also in today's changing time of globalization and liberalization. Our judicial system though having performed salutary role all these years, certainly are becoming obsolete and outdated over the years. The delay in judiciary is due to several interests involved in it. But then with changing scenario and fast growing competition, the judiciary needs to bring reforms accordingly. It needs to speedily resolve disputes in cost effective manner.

8. Globalization Helping Indian Companies to Become Global Giants Based on Good Governance

In today's age of competition and due to globalization our several Indian Corporate bodies are becoming global giants which are possible only due to good corporate governance.

9. Lessons from Corporate Failure

Every story has a moral to learn from, every failure has success to learn from, in the same way, corporate body have certain policies which if goes as a failure they need to learn from it. Failure can be both internal as well as external whatever it may be, in good governance, corporate bodies need to learn from their failures and need to move to the path of success.

Summary

The concept of corporate governance hinges on total transparency, integrity and accountability of the management and the board of directors. The importance of Corporate Governance lies in its contribution both to business prosperity and to accountability. In the age of globalization, global competition, good corporate governance helps as a great tool for corporate bodies. It existed from Vedic times as the Highest standards in Artha Shastra to today's set of ethics, principles, rules, regulations, values, morals, thinking, laws etc. as good corporate governance.

Corporate Governance is a means not an end, Corporate Excellence should be the end. Once, the good Corporate Governance will be achieved, the Indian Corporate Body will shine to outshine the whole world.

***Associate Professor
ABST and Head Department of Commerce
LBS PG College, Jaipur (Raj)**

References:

- Baker, M. (2016). Private communication, Business in the Community, 29 March.
- Brewster, D. (2014). 'CalPERS wave-making brings flak', Financial Times Fund Management, 9 August.
- Business Week (2014). 'Special report: corporate governance, investors fight back', 17 May.
- Butz, C. (2013). Decomposing SRI Performance, Geneva, Pictet & Cie.
- Cadbury Committee (1992). Report of the Committee on the Financial Aspects of Corporate Governance, London, Financial Reporting Council.
- Collins, J. (2011). Good to Great, London, Random House Business Books.
- Collins, J. and Porras, J. (2004). Built to Last, New York, Harper Business.
- Conference Board (2013). 'Commission on public trust and private enterprise: findings and recommendations', New York, Conference Board Inc.