REVIEW OF RESEARCH

CHANGING PERCEPTION OF CORPORATE GOVERNANCE IN INDIA

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ABSTRACT:

The need for corporate governance was realized with "Big Bull" Harshad Mehta Securities & cam disclosed in April 1992 involving various banks and resulting in the stock market nose-diving for the first time in India. This was followed by sudden growth of cases in 1993, when transnational companies started consolidating their ownership by issuing equity allotment to their controlling groups as steep discount to their market price. The third Scandal of the decade was the disappearance of companies during 1993-94. Another scam took place in 1995-96 in plantation industries, again in 1995-97 in non- banking financial companies, 1995-98 mutual fund scam in public sector banks, yet another scandals in BPL, Videocon, in 1999-2000 there was IT scam and in year 2001, scam in which Ketan Parikh resorted price rigging in association with bear cartel. The Process of economic transformation insures social transformation.

KEYWORDS :
Corporate Governance, Economic Liberalisation, Scam, Techniculture.

INTRODUCTION:

In the yester years the corporate lootings have become more frequents in practice. Impact of Globalisation in Corporate Governance is perceived as one that addresses problems that resulted from the separation of ownership and control. Corporate Governance focus on internal Structure, rules of board of directors, Creation of independent committees, rules for discloser, of information to shareholders and creditors, transparency of operations and control of management.

Aftermath of economic liberalization and Globalization have restarted mulling over the buzz phrase of corporate Governance in hastily convinced, conclaves and Conferences. The sea change which is by product of Globalisation has argued for corporate Governance. The new breed and brand of managers has wedded dynamics of yester decades regime. Most of them believe in professionalism and the credo of running business transparency to uplift corporate value. Corporate Governance is about promising corporate fairness, transparency andaccountability. It means doing everything good to improve relationship between corporate houses and their share holders to improve quality of outside directors, to enough people to think long time relationship. Information needs of stakeholders are met to ensure that exclusive management is monitored properly in the interest of shareholders. Corporate Governance ensures transparency, full disclosures and accountability of corporate sectors to all its shareholders.

CORPORATE GOVERNANCE: INDIAN EXPERIENCE

Change is a natural phenomenon and development is ongoing process. During yester decades, we find a large scale domination of techniculture in almost all business areas. The information and communication technology are found much instrumental in snaping the pattern of operational efficiency of business houses. Apart from this we find a change in the behavioural pattern of users of services. Corporate Governance as a means of achieving equitable prosperity for the people of has nowadays come to the centrestage due to two grounds.

- After the collapse of USSR in 1990 had become reality that market dynamics must prevail in economic matter.
- Coincided with the thrust given to globalization.

In India the mal history of Corporate Governance dates back to year 1992, few efforts made in many countries of the world to put in place a system suggested by the Cadbury committed. The confederation of Indian Industry framed a voluntary code of corporate governance for listed companies in 1998, This was follows by the recommendations of the Kumar Mangalam Birla committee setup in 1999 by SEBI Culminating in the introduction of clause 49 in stipulate phases. In India company legislation has been instrumental in shaping and promoting corporate governance. In 1999, companies Act, 1956 were amended in the light of changing business requirement. Another amending introduced in late 1999 and modified in 2000, offers further inputs for promoting standards of corporate governance in India. Apart from this companies Act, 2013 also gives focus on corporate Governance. We cannot negate the corporate houses in India have facing image problem. At the outset it is essential to be aware of the concepts of Corporate Governance. Many provisions relating to Corporate Governance where introduced by the companies (Amendment) Act. 2000, in 2001 Corporate Governance was again introspected by the code of the RBI under the chairmanship of Y. V. Reddy, the then Deputy Governor. Further the scam involving the Ball of the corporate giants like WorldCom. Global crossing, Xerox and enactment of stringent Oxley Act were foremost factors, which propelled the Indian Government to erect right governance mechanism in designing the administration of listed public limited companies. Again Naresh Chandra Committee, 2002 was high level committee has been the landmark in emergence of Corporate Governance in India. Naresh Chandra committee and the N. R. Narayana Murthy committee have done a good job to promote Corporate Governance practices in India. In present global scenarios Indians corporate houses has not only to compete with business world to achieve of management and governance that inspire confidence in domestic and foreign investors. The increasing cases of unlawful and unethical practices make it essential that the trait like humanism, ethics are optimally inculcated to the extent, it is,possible.

CORPORATE GOVERNANCE ISSUES

The story of Corporate Governance dates back to the year 1992, below stated attempts made in most the countries to put in place a system suggested by the Cadbury committee. The Cadbury committee headed by Cadbury was appointed by Stock Exchange of London, submitted its report in 1992 that included the "code of best practices" to be practiced by listed companies. This report was implemented by the London Stock Exchange as part of its Listing agreement with its member companies. The Cadbury report is supposed to basis of Corporate Governance. In India confederation of Industries designed a voluntary code of Corporate Governance for listed companies in 1998. It was followed by the recommendations of the Kumar Mangalam Birla committee (1999) by SEBI culminating in the introduction of clause 49 of the standard Listing Agreement to be complied with the listed companies in phases. The K. M. Birla committee decided its recommendation into mandatory and non-mandatory.

Mandatory recommendation includes following issues

- Composition ofBoard.
- Appointment & Structure of auditcommittees.
- Remuneration ofdirector.
- BoardProcedure.
- More information regardingmanagement.
- Discussion and analysis of port of annual report.
- Disclosure of directors' interest.
- Shareholdersright.

Compliance level of Corporate Governance in the annualreport.

Non-mandatory recommendations includes assured

- Related the chairman of the board
- Setting up of remuneration committee
- Half yearly information to theshareholders
- Use of postalballots
- Appointment of nominee directors
- Obligations ofshareholders.

The Security and Exchange Board of India monitors and regulates Corporate Governance of listed companies in India through classes 49. This clause is incorporate in the listed agreement of stock exchanges with companies and it is compulsory for them to company with its provisions. SEBI issued clause 49 and a new clause 49. The new clause lays down qualification for in dependeddirectors.

MAIN PROVISIONS OF NEW CLAUSES 49 ARE

- The board will lay down a code of conduct for all board members and seniormanagers.
- The CEO/CFO will certify the financial statements and cash flowstatement.
- At least one independent director of the holding company will be a member of the board of material non listedsubsidiary.
- The audit committee of the listed company shall review the financial statement of the relisted subsidiary.

Corporate Governance: The unseen force:

Any organisation is not all about just profits, market valuations and turnovers, there is a lot more that goes into building its positions, image and brand, Corporate Governance is one such hidden force. After several scandals, and economic downturns, organisations are now realising that few proper steps towards better governance could save years of its efforts. Most of the organisations only gives focus on monetary gains and take corporate governance for granted. Due to absence of trust on governance, investor sentiments go away resulting in mass outflow of trends. Designing the framework of corporate governance in India is significant task in itself. The need and fundamentals vary across sectors, industries. Focus has been given on proper corporate governance in banks and healthcare in particular, other sectors, like FMCG, IT and Retail and need to prioritise good governance, but these may not help there in enhancing their market value.

THE ROAD AHEAD

Most of the managers now realise that their organization need financial support and human talent in order to grow to scales necessary to survive in tough international competitions. They feel that such capital will not be available in a non-transparent corporate regime that requires international quality of disclosures and accountability. This fact becomes driver of Corporate Governance in India. We cannot negate that the there are some drawbacks in many aspects related to Corporate Governance in India.

- Poor bankruptcylaws
- Accounting standards are not upwork
- Improper stockmarket
- Bond market it is infancy, pension fund need to invest more in equity and play an activist role, mutual fund needs to walk totalk.

It is significant to know that there are still some lacunas in different aspects of Corporate Governance in India such as not full proof bankruptcy law, scientific procedure and insufficient stock market has causing slow in making its mark in India and migrating in full pace. The following factors must be considered for proper Corporate Governance in India for future sessions.

- Competitive drivenfactors.
- Professional attitude of newactors.
- Marketcapitalization.
- Foreign portfolio investor'stransparency,
- Influence of Media Agencies.
- Back-up of banks and financialinstitutions.
- Realisation among Indigenous corporatehouses.

CONCLUSION

Past experience on Corporate Governance issue in India highlight that none of the Corporate Governance principle is full proof. There is ongoing need for constant review. By a judicious mix of legislation regulation needs to be constantly addressed. Indian corporate sector has no second option but necessity to follow good governance practices to achieve competitive excellence in a fast changing international business scenario. Globalisation paved new avenues entire business world come under one roof. The concept of global village has came into existence. It is significant that organisations in general make ways for a sharp increase in the wake rate of operational efficiency by proper corporate governance, failing which the work culture, operational efficiency cannot be improved and organization will face unpleasant situation in coming sessions. The board room while engineering policies and decision maker at the time of design in strategy have to make corporate sector potentially & strategically full proof to excel competition and to get a respectable position in corporate class. Degree of governance has been instruments in making corporate sector sound and best in class, particularly in the present materialistic age where consumerism has been found changing the life style of generalmasses.

We cannot escape from the reality, the corporate house requires a fair blending of financial and non-financial support for becoming star performer. Even in Indian context the corporate sector has been giving popularity. The process of economic transformation has been accelerated but the benefit of business development has hardly been harnessed by lower section of the society. This alarming issue makes it necessary that profit making and non-profit making organizations including government department formulate their policies and programmers in the face of evolving trend. They have to practice holistic concept of management so that the process of value engineering gain a raped moment. We need to promote Corporate Governance in such a way that a fair synchronisation of organizational and social interest is madepossible.

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