

Corporate Governance In Present Scenario In India

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ABSTRACT

Corporate governance is an activity, association and structure move for the company and union set up on evident parameter and theories by which an association is administered and guided. The standards given in the system ensure that the company is governed in a way that it is able to situate and fulfill its goals and objectives in the surroundings of the public, regulatory and market environment, and is ace to increase gains and also profit those whose interest is participating in it, in the long run. The portion and allotment of rights and functions amidst distinct parties in the corporation (such like the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and insertion of the regulations and methods for making settlement in corporate affairs are recognized with the assist of Corporate Governance appliance and guiding principle. Due to various scams the need to make corporate governance in India transparent was felt to be applied, these scams include the UTI scam, the stock market scam, Ketan Parikh scam, Satyam scam. Hence, Corporate Governance is not only company handling but more than that and constitutes beholding the act, strategy, operations, and conclusions of corporations, their representatives, and affected stakeholders thereby make sure just, effective and clear working of the corporate management system. Hereby in this paper, the authors aim to inspect the idea of corporate governance in present scenario in India with respect to the provisions mentioned under the Companies Act 2013. The paper will pinpoint the worth and want of corporate governance in India with some significant case laws.

1. Introduction

Corporate governance defined as "the plan through which companies are controlled and organized."¹

Corporate governance necessitate interrelation among company's management, its shareholders, its board and apart from this other stakeholders. It also provides framework by which the aims and purpose of the company are set, and the ways to accomplish them are determined²

Corporate governance directs and control the firm by exercising various rules, practices and processes. It balances the interest of a company's many stakeholders, which include the community, shareholders, customers, management, financier, suppliers and the government. And also provides the framework to attain company's target. It embraces almost every aspect of management. The primary direct stakeholder influencing corporate governance are the board of directors who are charged to make important decisions regarding remunerations, appointments and dividend policies. Boards are composed of inside members and independent members.³

The structure of corporate governance is composed of:

- (1) Express or implied contracts among the stakeholders and the company for sorting of rights, duties, rewards

and liabilities, etc.

- (2) Procedure for proper mechanism of checks-and-balances, and
- (3) Procedure to settle and harmonize the conflicting interest and conclusion among the participants in the corporation.

2. Corporate Governance Framework In India

After the biggest fraud in Corporate field and failure of the governance mechanism in Satyam Computer Services Limited Scam the major concerns was drawn towards the lifting up of good and transparent Corporate Governance. Also there has been various exchange of views on global level regarding it. The Cadbury Committee also defined "Corporate Governance" in its Report, namely: Financial Aspects of Corporate Governance, which was published in 1992.

The OECD in 1999, published its Principles of Corporate Governance which gives very comprehensive definition of corporate governance, as under:

Corporate governance necessitate interrelation among company's management, its shareholders, its board and apart from this other stakeholders. It also provides framework by which the aims and purpose of the company are set, and the ways to accomplish them are determined. A good corporate governance must provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders, and should facilitate effective monitoring, thereby encouraging firms to use recourses more efficiently."

¹Cadbury Committee, 1992

²OECD Principles of Corporate Governance

³Corporate Governance, available at:

[http://www.investopedia.com/terms/corporategovernance.a](http://www.investopedia.com/terms/corporategovernance.asp&hl)
sp&hl (Visited on April 10, 2019)

3. Regulatory framework on corporate governance

The corporate governance system for companies in present scenario in India is set forth, which are mentioned in the following points:

1. The Companies Act, 2013 inter alia contains provisions relating to board constitution, its meetings and its processes, independent directors of a company, general meetings held in an organization, audit committees of company's board of directors, related party transactions, disclosure requirements in financial statements, etc.
2. SEBI Guidelines: It is a regulatory authority having jurisdiction over listed companies and which issues regulations, rules and guidelines to companies.
3. Standard Listing Agreement of Stock Exchanges: It is only applicable on companies whose shares are listed in the stock exchanges.
4. Accounting Standards issued by ICAI: It is an independent body, which issues accounting standards providing guidelines for disclosures of financial information.
5. Secretarial Standards issued by the ICSI: ICSI is an autonomous body, which issues secretarial standards in terms of the provisions of the New Companies Act.

4. Corporate Governance Under The Companies Act, 2013

The corporate frauds and failure of governance which include various corporate governance scams like the stock market scam, the UTI scam, Ketan Parikh scam and Satyam scam necessitated for a good and transparent corporate governance in the development of India in present scenario.

The Companies Act of 2013 initiated some continuing and clear processes which aid stakeholders, directors as well as the management of companies. Investment advisory services and proxy firms provide brief information to the shareholders about these newly introduced processes and regulations, which aim to improve the corporate governance in present scenario in India.

Corporate advisory services are offered by advisory firms to effectively manage the activities of companies to assure strength and expansion of the business, allege the reputation and trust for customers and clients. The top management that consists of the board of directors that are accountable for governance. They must have effectual control over matter which are in the interest of the company and minority shareholders. Corporate governance assures effective application of management practices and legal compliance too. Corporate governance was guided by Clause 49 of the Listing Agreement before introducing in the Companies Act of 2013. SEBI has also approved certain new amendments in the Listing Agreement, to improve the transparency in transactions of listed companies and providing boost to minority stakeholders, which will be effective from 1st October 2014.

5. New Provision for Directors and Shareholders

- One or more women directors are recommended for companies.
- Every company should have a resident directory in India.

- In public limited companies maximum permissible directors should not exceed 15. If appointed, it can only be done with Special Resolution.
- The Independent Directors are a newly introduced concept under the Act.
- At least 1 meeting a year should be attended by the Independent directors.
- Auditor must be appointed. The role of the Audit committee has been enlarged.
- Filing and disclosures with the Registrar of Companies accrued.
- Top management comprehend the rights of the shareholders and guarantee powerful working amongst the company and the stakeholders
- Accurate disclosure of financial situations, performance, material matter, ownership and governance by the company.

6. Additional Provisions

- Related Party Transactions – It is a transaction which takes place among parties who hold a pre-existing connections.
- Changes in Clause 35B – The electronic-voting amenity was given to the shareholders for any decision is legal binding for the company.
- CSR – The main aim of CSR is to promote sustainable development and helps the company to be social its stakeholders and to themselves and the public.
- Whistle Blower Policy – It helps to investigate assumed corruption and abuse of power by public servants and also protects those who expose wrongdoing in governmental bodies, its projects and also the offices.

7. Need For Corporate governance

The following factors can be taken into consideration:

- Wide Spread of Shareholders
- Changing Ownership Structure
- Corporate Scams or Scandals
- Greater Expectations of Society of the Corporate Sector
- Hostile Take-Overs
- Huge Increase in Top Management Compensation
- Globalisation

8. Conclusion

A company with corporate governance which is good and transparent ensures higher level of confidence and maintains long term value among the shareholders associated with that company. Active and independent directors plays important role in the financial market, positively influencing share prices of the company. Corporate Governance is the major standard for FI. The corporate practices emphasize the functions of audit and finances in India. The Companies Act of 2013 established visionary practices to rightly stable legislative and regulatory reforms for expansion of the companies and increase foreign investment, acknowledging international practices. The rules and regulations are means that enlarge the actions of the shareholders in decision making and initiate translucency.

Corporate governance protects not only the management but also the interests of the stakeholders and promote the

economic progress of India in the world.

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