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Corporate Governance Practices in Developing Nations: An Empirical Study of India

S. K. Gupta*

In recent years, the corporate scandals, some of which are still unfolding, involve high incidence of improper activities of managers expropriating the resources of a firm at the ultimate expense of stakeholders. Corporate governance is needed to create a corporate culture of consciousness, transparency and openness. It refers to combination of laws, rules, regulations, procedures and voluntary practices to enable the companies to maximize the shareholders' long-term value. This paper tests the hypotheses that corporate governance practices of the sampled companies are not associated with the mandatory recommendations of Kumar Manglam Birla committee for improving it in India. The opinion of the company secretaries and chartered accountants is associated on the question of adequacy of corporate governance measures available in India in today's scenario. The evidence collected from 150 respondents and 30 companies situated in and around New Delhi (India). This suggests that only few companies covered in the survey are complying with the mandatory recommendations of Birla Committee.

Keywords: Corporate governance, ownership, managers, shareholders, financial crisis, risk management.

Field of Research: Management

1. Introduction

Corporate governance is about putting in place the structure, processes and mechanisms by which business and affairs of the company or firm are directed and managed in order to enhance long term shareholder value through accountability of managers and enhancing firm's performance. Corporate governance is one of the most prominent issues in corporate &, financial world today. Legal systems, in almost all the major economies of the world, are trying to standardize & enforce prudent corporate governance norms. We have seen in Satyam case in India that how the best known corporate leaders, financial regulators, as well as, world renowned auditors can manipulate the system. This not only destroys the company as well as its stakeholders' wealth but also hurts the entire economy & reputation of a nation. There are so many other corporate like Anil Ambani group, Vijay Mallaya led UB group, Global Tele-systems Limited, Coal India limited, Adani group, Sahara group, even Indian premier league (IPL) and common wealth games (CWG) who have suffered a lot due to lack of corporate governance norms in their organizations. Having seen this disastrous situation in corporate world the researcher intended to conduct an in-depth empirical study of the corporate governance situation in India by taking an empirical research.

Expansion of United States (US) after World War II, through the emergence of multinational corporations saw the establishment of the managerial class. Accordingly, the following Harvard Business School management professors published influential

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* Dr. S. K. Gupta, Associate Professor, Faculty of Commerce and Business Administration, Meerut College Meerut, affiliated to CCS University Meerut, UP, India. Email: skgmrt@gmail.com

monographs studying its prominence: Myles Mace, 1947, Alfred D. Chandler, Jr., 1962, Jay Lorsch, 1987. According to Lorsch and MacIver, 1989 "many large corporations have dominant control over business affairs without sufficient accountability or monitoring by their board of directors." This lack of proper accountability results in massive frauds & mismanagement in even the best-known companies.

The seeds of modern corporate governance were sown by the Watergate scandal in the United States of America. As a result of subsequent investigations, US regulatory and legislative bodies were able to highlight the control failure that had allowed several major corporations to make illegal political contributions and to bribe Government-officials. This led to the development of foreign and corrupt practice act of 1977 in USA that contained specific provisions regarding the establishment, maintenance and review of systems of internal control. This was followed in 1979 by the Securities and Exchange Commission of USA's proposals for mandatory reporting on internal financial control. In 1985 following a series of high profile business-failures in the USA, the most notable one of which being the savings and loan collapse, the Treadway commission was formed. Its primary role was to identify the main cause of misrepresentation in financial reports and to recommend ways of reducing incidence thereof. The Treadway Commission report, published in 1987, highlighted the need for a proper control environment, independent audit committees and objective internal audit function. It called for published reports on the effectiveness of internal control. It also requested the sponsoring organizations to develop an integrated set of internal control criteria to enable companies to improve their control. Accordingly Committee of sponsoring organization (COSO) was born. The report produced by COSO in 1992 stipulated a control framework, which has been endorsed and refined in the subsequent United Kingdom (UK) reports: Cadbury, Hampel and Turnbull. While developments in the United States stimulated a debate in the UK, a spate of scandals and collapses in that country in the late 1980s and early 1990s led the shareholders and banks to worry about their investments. These also led the government of UK to recognize that the then existing legislation and self-regulation were not working.

The issue of corporate governance became particularly significant in the context of globalization because one special feature of the late 20th and beginning of 21st century globalization is that, in addition to the traditional three elements of the economy, namely physical capital in terms of plant and machinery, technology and labor, the volatile element of financial capital invested in the emerging markets and in the third world countries is an important element of modern globalization. It has become particularly powerful. The significance and the impact of the volatility of the financial capital was realized when in June 1997 the currency of South East Asian countries started melting down in countries like Thailand, Indonesia, South Korea and Malaysia. It was realized by the World bank and all investors that it is not enough to have good corporate management but one should also have good corporate governance because the investors want to be sure that the decisions taken are ultimately in the interest of all stakeholders'. Honesty is the best policy is a fact that is now being discovered.

Lack of corporate governance-norms again came to haunt the corporate world. the early 2000s, the massive bankruptcies and criminal malfeasance of Enron and WorldCom, as well as, lesser corporate debacles, such as Adelphia Communications, AOL, Arthur Andersen, Global Crossing, Tyco, Fannie Mae and Freddie Mac, led to increased shareholder and governmental interest in corporate governance. This culminated in the passage of the Sarbanes-Oxley Act of 2002. But, since then, the stock market has greatly recovered, and shareholder zeal has waned accordingly. This shows that if proper corporate governance is not followed, the organization, its various stakeholders, government authorities & economy as a whole, suffers. After that in 2006, US subprime mortgage crisis has shaken the entity of many giants like Bear Stearns, Lehman Brothers and Global insurance company AIG. By the end of 2008 the financial crisis spread around the world and became an economic crisis that led the world into a deep recession. Lack of proper corporate governance was one of the reasons behind it.

In India Confederation of Indian Industry (CII), took a special initiative on Corporate Governance in 1996. The objective was to develop and promote a code for corporate governance to be adopted and followed by Indian companies, in the Private Sector, the Public Sector, Banks or Financial Institutions, all of which are corporate entities. This initiative by CII flowed from public concerns regarding the protection of investor's interest especially the small investor, the promotion of transparency within business and industry. As a result the Government of India brought in a separate legislation by the name of Securities and Exchange Board of India (SEBI) Act 1992 and conferred statutory powers to it. Since then, SEBI had introduced several stock market reforms. These reforms significantly transformed the face of Indian Stock Markets. The Kumar Manglam Birla Committee was constituted by SEBI in May 1999, to promote investors' interest and to raise the standards of corporate governance in India. The committee has made 23 mandatory recommendations that have become a benchmark and standard for corporations in India.

In the wake of the Enron scandal and the adoption of the Sarbanes-oxlay act in the United States, SEBI formed the Narayan Murthy Committee on corporate governance in 2002 in order to evaluate the adequacy of the then-existing clause 49, to further enhance the transparency and integrity of Indian stock markets and to ensure compliance with corporate governance codes. The Murthy Committee examined a range of corporate governance issues relating to boards and audit committees, as well as, disclosures to shareholders. The committee focused heavily on the role and structure of corporate boards and strengthened the director independence definition in the then-existing clause 49. In 2004, SEBI further amended clause 49 in response to the Murthy committee recommendations, however, implementation of these changes was delayed until January 1, 2006 primarily due to industry resistance and lack of preparedness to accept such wide-ranging reforms. While there were many changes to Clause 49 as a result of the Murthy report, governance requirements with respect to corporate boards, audit committees, shareholders disclosure and CEO/ CFO certification of internal controls constituted the largest transformation of the governance and disclosure standards of Indian companies.

In August 2002 the Ministry of Corporate Affairs (MCA) formed the Naresh Chandra committee who was charged with undertaking a wide-range examination of corporate auditing and independent directors, although its report focused primarily on auditing and disclosure matters. Chandra committee made a series of recommendations regarding, among other matters, the grounds of disqualifying auditors from assignments, the type of non-audit services that auditors should be prohibited from performing and for the need of compulsory rotation of audit partners. In December 2004 the MCA convened the J.J.Irani committee, who was charged with evaluating the companies act, with a focus on combining internationally accepted best practices in corporate governance with attention to the particular needs of the growing Indian economy.

India's corporate community experienced a significant shock in January 2009 with damaging revelations about board failure and colossal fraud in the financials of a leading IT company Satyam computer services. As a consequence of this scandal and various other corporate scams, India's ranking in the CLSA corporate governance watch 2010 slid from third to seventh in Asia. The Satyam scandal also served as a catalyst for the Indian Government to rethink the corporate governance, discloser, accountability and enforcement mechanisms in place. On August 2009 the companies' bill 2009 was introduced in the Lok Sabha, the directly elected lower house of Indian Parliament. However, passage of the bill was further amended as a result of an August 2010 report by the standing committee on finance of Parliament which examined the 2009 bill in great detail. According to the standing committee report, the MCA has accepted that some of the matters included in the 2009 voluntary guidelines should be included in the revised bill. These include the separation of the roles of chairman and chief executive, the attributes and tenure of independent directors, board evaluation, the appointment of auditors and the rotation of audit partners and firms.

1.1 Players in Corporate Governance

There are many players in corporate governance such as Board of Directors, Non-executive directors, Institutional Directors, Audit Committee, Company Secretaries, Accounting professionals, Government and other law making agencies, small investors, consumers, employees, media, vendors and strategic partners,

1.2 Reports and Codes on Corporate Governance

A number of reports and codes on corporate governance have been formulated, which are being implemented internationally. Notably among these are the The Confederation of Indian Industry (CII) code (1998), India; Kumar Manglam Birla Committee report (1999), India; Narayna Murti Committee report (2002), India; Naresh Chandra committee (2002), India; J.J.Irani committee December (2004), India; The Greenbury committee report (1995), UK ; The Cadbury committee report (1992), UK ; The Hample committee report (1998),UK ; The Blue Ribbon committee report (2000), USA ; The Sarbanes-Oxley Act (SOX) (2002), USA; The King committee report (1994), South Africa and The organization for economic cooperation and development (OECD) code formed in 34 countries, having its head office in Paris (France). The OECD invited non-member countries also, to join the codes.

This empirical study further deals with literature review, objectives of the study, null hypothesis, research methodology, analysis and findings, conclusions, suggestions for better corporate governance and lastly with references.

2. Literature Review

Jenson and Fama, 1983, in their study found that in modern corporations, especially those in United States and the United Kingdom, primary objective of corporate governance is to ensure that the interests of top-level managers are aligned with shareholders' interests. Corporate governance involves oversight in areas where owners, managers and board of directors may have conflicts of interests. These areas include the selection of directors; supervision of Chief Executive Officer and director's pay; and the corporation's overall structure and strategic direction. Tricker, 1984, in his study explained that there is a difference between management and governance. He stated that whereas management is about running the business, governance is about running it properly. Governance identifies rights and responsibilities, legitimizes actions and determines accountability.

Roe, 1990, in his study stated that governance could be seen as competition's assistant; good governance speeds up competitive adaptation; bad governance slows it down. He concluded that the main function of corporate governance system is to improve efficiency by providing adequate incentives for value-enhancing investments. Humphery, 1993, observed that third parties have a key role to play in ensuring the accountability of directors and management, especially auditors and non-executive directors. This in turn raises the question of what their roles are expected to be and the difficulties in carrying them out. The existence of a gap between what auditors are legally required to do and what society expects them to do in general is one manifestation of the problem.

Felton, Hudnet and Witt, 1995, in their study pointed out that the decisions and actions of a corporation's board of directors can be effective deterrent to unethical behaviors. In fact, the most effective boards participate actively in setting boundaries for business ethics and values. Rao and Lee Sing, 1996, investigated that good governance practices entail active participation of shareholders in the direct and indirect management of corporation through the board of directors and an arrangement of productive checks and balances among shareholders, board of directors and management of corporations.

Business Today-AIMS, 1997, in their survey of the best board of directors, among the country's 100 most valuable corporate, on the basis of four parameters of corporate governance, i.e. accountability, transparency, quality and independence found that the best five boards in India are Hindustan Lever Limited, Telco Limited, Bajaj Auto Limited, HDFC Limited and Larsen & Toubro Limited. Mckinsey, 2002, a research-based company in its investor-opinion survey of 200 institutional investors showed that three-quarters of investors polled regarded board practices to be as important as financial performance. Institutional investors are willing to pay share premium for companies with good corporate governance practices over equivalent companies without good corporate governance practices, range from 18 percent for companies in the U.K. to 27 percent for companies in Indonesia.

Loke, 2003, in his study of corporate governance practice of Asian Firms stated that now-a-days not only small investors but also institutional investors and international agencies are demanding better corporate governance. He further stated that rules are important as they form the 'internal skeleton' of the corporate governance. If rules and mechanisms are missing, corporate governance is likely to be dysfunctional. Price Water House Coopers, 2003, a research firm in its survey of different UK companies, found that almost 40 percent of industrial and service sector companies have no formal nomination committee and where there is such a committee, 61 percent are chaired by the company-chairman rather than an independent director. Their survey revealed that such companies are also following the recommendations given by Higg's report on corporate governance.

Wong, 2009, the last significant corporate governance reform was implemented through the Sarbanes-Oxley Act (2002) in response to corporate scandals in North America, Europe, and elsewhere. This reform has focused on improved transparency, enhancing independent monitoring of management by the board of directors; strengthening economic alignment between principal sand agents; bolstering shareholders' rights; and imposing financial liability on corporate officers and directors, external auditors, investment bankers, and other intermediaries to ensure diligence, loyalty, and honesty. Poole, 2010, the financial crisis has focused a great deal of scrutiny on failures in corporate governance, in particular lax board oversight of risk management and executive compensation practices that encouraged excessive risk-taking. The failure to understand fully the risks of subprime mortgages and to foresee the decline in housing prices might be an honest mistake of portfolio managers and federal authorities alike. However, building portfolios with risky long-maturity assets financed with little equity capital and short- maturity liabilities are inexcusable mistake.

Lewis, 2010, accused bankers and fund managers of pocketing enormous bonuses with no thought to the long-term consequences of their actions. Bankers' and fund managers' gambling was fed by the knowledge that if disaster struck, someone else would be blamed. They believed that when things go bad, borrowers, investors, taxpayers, governments, and other stakeholders would bear the lion's share of the losses. Similarly, when Erkens, Hung, and Matos, 2010, studied 296 financial firms from 30 countries, their findings were inconsistent with the hypothesis that the firms' losses suffered during the financial crisis were the result of lax board and investor oversight. Rather, firms with more independent boards and greater institutional ownership were not only more likely to replace their CEOs for poor performance but also experienced worse stock returns and recognized larger write-downs during the crisis.

From the above review it can be concluded that considerable efforts have been made by the eminent scholars all over the world to study various aspects of corporate governance practices and their impact on various stakeholders. But no such type of attempt has been made in India so far to study the current corporate governance regime in Indian straddles and to study how far, both voluntary and mandatory requirements, on corporate governance are being implemented to safeguard the interest of various stakeholders'. This study is a humble attempt to bridge the gap.

3. Objectives of the Study

The broad objectives of the study are as follows:

1. To study the current context of corporate Governance in India and abroad.
2. To examine the ethics and incentives of corporate Governance.
3. To study the Board-composition and Board-structure.
4. To examine the role of non-executive directors in context to corporate governance.
5. To evaluate the role of Institutional investor in maintaining good corporate governance.
6. To examine the state of affairs of discloser and transparency practices and financial reporting and auditing practices in Indian companies.
7. To suggest measures for the successful implementation of corporate governance in Indian Industries.

4. Null Hypothesis

4.1 There is no significant difference between the corporate governance practices of the sampled companies and the mandatory recommendations of Kumar Manglam Birla Committee's report constituted for improving corporate governance in India.

4.2 There is no difference in the opinions of company secretaries and chartered accountants on the question of adequacy of corporate governance measures in today's scenario.

5. Research Methodology

The present study is a quantitative research in which the sampling process has been determined through proportionate stratified sampling technique. The data from 150 respondents comprising chartered accountants, company secretaries, MBAs, LL.Bs, Medical doctors, engineers and others and 30 Companies (maintaining corporate governance practices) situated in and around New Delhi (National Capital Region) have been collected through well structured questionnaire divided into six parts related to profile of the respondents, compliance of Kumar Manglam Birla committee recommendations, disclosure and transparency practices, Financial reporting and auditing practices, Shareholders protection and corporate governance aspects from other stakeholders. The data so collected has been analyzed with the help of computer. Various statistical techniques such as mean, standard deviation, t-test and chi square test have been used.

6. Analysis and Findings

6.1 Profile of the Respondents

The distributions of age, designation, occupation of the respondents have been shown in Table 1.

Table 1: Distribution of Age, Designation and occupation of Respondents

S.No.	***Age***		***Designation***		***Occupation***	
	Years	**No. of respondents**	**Hierarchy level**	**No. of Respondent**	**classification**	**No. of posts**
1.	Below 30	21(14)	Top Mgt.	11 (7)	Professional	110 (73)
2.	30-45	52(35)	Middle Mgt.	86 (58)	Business	13 (9)
3.	45 and above	77(51)	Lower Middle Mgt.	53 (35)	Service	27 (18)
Grand Total		150(100)		150(100)		150(100)

Percentage is shown in Parenthesis

From the above table it can be observed that most of the respondents are 45 years and above in age. Such group is useful for the survey because people in this age group have sufficient experience to reply the questions related to management practices about corporate Governance. 58% of the respondents belong to middle management and 73% of the respondents are from professional category. The qualification of the respondents is shown in Table 2.

Table 2: Qualification of the Respondents

S.No.	Qualification	No. of Respondents
1	Chartered Accountant	30 (20)
2	Company Secretary	30 (20)
3	MBA	21 (14)
4	LLB	18 (12)
5	Medical doctor	9 (6)
6	Engineer	11 (7)
7	Others	31 (21)
Total		150(100)

Percentage is shown in Parenthesis.

It can be observed from Table 2 that 20 percent respondents each are chartered accountants and company secretaries, who can better answer on corporate governance practices. Table 3 shows the holding pattern of securities in companies and Table 4 shows the pattern of annual report studied by them in last two years.

Table 3: Holding of Securities in Companies

S.No.	No. of Companies	No. of Respondents
1	Less than 5 companies	103 (69)
2	5-10 companies	29 (19)
3	10-15 companies	12(8)
4	15 and more companies	6 (4)
	Total	150 (100)

Percentage is shown in Parenthesis

Table 4: Annual Report studied in Last Two Years

S.No.	No. of Companies	No. of Respondents
1	Less than 5	75 (50)
2	5-10 companies	57 (38)
3	10 and above companies	18 (12)
	Total	150 (100)

Percentage is shown in Parenthesis

Table 3 depicts that 69% respondents hold securities of less than 5 companies and only 4% have investment in more than 15 companies. About the frequency of reading annual reports in last two years it has been found by table 4 that only 38% respondents have studied between 5-10 company reports, while the majority 50% respondents have studied the reports of less than 5 companies.

6.2 Compliance of Kumar Manglam Birla Committee Recommendations

The KBC gave 23 recommendations which are compulsory for directors, management, employees and professionals associated with all listed private and public sector companies in India in accordance with the time schedule mentioned in report. A scoring system was developed to measure the extent of adoption of the KBC report's mandatory recommendations. Each recommendation has been assigned a score 0 or 1 by the committee. If a recommendation is being followed it has been assigned score 1 and if it is not being followed by the companies, score 0 has been given. This test was done on 30 companies following corporate Governance mandatory recommendations. The result is shown in Table 5.

Table 5: Company following mandatory recommendations

No. of Mandatory Recommendation	No. of Companies
16	2
17	-
18	5
19	8
20	6
21	2
22	3
23	4
Total	30

Table 5 shows that only 4 companies are fully following all 23 mandatory recommendations. These companies are GTL Limited, Kotak Mahidra Limited, Mahindra and Mahindra Limited and Ansal Housing and Construction Limited. While the average of the 30 companies with corporate governance recommendations is 19.8 (594/30).

In this study t-test has been used to test the null hypothesis that there is no significant difference between the corporate Governance practices of the surveyed companies and the mandatory recommendations of KBC Report constituted improving corporate Governance.

Null Hypothesis $H_{O:}$ $\mu = 23$

Alternative Hypothesis: $H_{1:}$ $\mu < 23$

Data shown in Table 5 have been analyzed with the help of t-test and obtained results are summarized in Table 6.

Table 6: Summary of t-Test

Factors	N	Mean	Standard Deviation	t	d.f
Actual Score	30	19.8	1.9369	-9.049	29
KBC Mandatory score	30	23.0	0.0000	–	–

After applying t-test for mean of single population it has found that the table value of t at 5% significance level, for (n-1) (30-1) = 29 degree of freedom, is 1.699 which is more than the calculated value of t (-9.049) hence the null hypothesis (Ho) is rejected. It can be concluded that the sampled companies are not following the KBC's mandatory recommendations.

6.3 Efficacy of Board

With effect to the formulation of vision and strategy of the organization, Company's Board need to be effective. To confirm that board of respondent companies is equipped and empowered to govern, a technique devised by Lusch and Harvey (1994) has been used. In the present study, analysis has been done on the basis of factors given by Lusch and Harvey and viewpoints of respondents on various questions in the questionnaire have been included. In case company's Board score is between 20-33 then the board is out of control and is probably a liability. If the score is between 34-70 then the board is barely in control and things could get worse. If the score lies between 71-100 then the Board is in control and an asset of that company. After making analysis the resultant score of the surveyed organizations have been tabulated in Table 7.

Table 7: Scores of Companies for Efficacy of its Board

S.No.	Score Obtained	Number of Companies
1	20-33	Nil
2	34-70	22 (73)
3	71-100	8 (27)
	Total	30 (100)

Percentage is shown in Parenthesis

Table 7 depicts that no company obtained score between 20-33. Most of the companies scored between 34-70 which shows that companies' board is barely in control and things could get worse. Only 27% companies obtained scores between 71-100 which infers that its board is under control and board is an asset. These companies include Nascom Limited, Carrier Aircon Limited, Kotak Mahindra Limited, Mahindra & Mahindra Limited, Ansal Housing and Construction Limited, Lupin Limited, Lakhani Rubber Udyog Limited and GTL Limited. Who was also received ‘‘Golden Peacock Award” for corporate Governance in year 2001-02.

6.4 Appointment of Non-Executive Directors

Another important functionary in the corporate Governance system is a non-executive director. The Kumar Manglam Birla Committee is of the view that the non-executive directors help to bring an independent judgment on board's deliberations especially on issue of strategy, performance, management of conflicts and standards of conduct. The analysis about various characteristics of non-executive directors made in the present study is shown in Table 8.

Table 8: **Appointment of non-executive Directors**

S.No.	Method of Appointment	Percentage of Agreed Respondents
1	A panel of Eminent persons maintained by the company.	33
2	Among the names finalized by the nomination committee who are persons of eminence and proven track record.	40
3	Among the persons working as directors/senior professionals in other companies.	80
4	Among the names proposed and approved by the shareholders.	93

Responses are not mutually Exclusive

Table 8 depicts that 93 percent respondents have agreed that non-executive directors must be appointed from the list which is proposed and approved by the shareholders.

6.5 Role of Institutional Investors

Institutional investors generally acquire large stakes in the equity share capital of listed Indian Companies. They have a special responsibility, given the weightage of their votes and have a bigger role to play in corporate Governance as retail investors look upon them for positive use of their voting rights. After analyzing the data collected regarding the role of institutional investors, the obtained results are shown in Table 9.

Table 9: Role of Institutional Investors

S.No.	Role	No. of Respondents
1	Take Active interest in the composition of the Board of Directors.	22 (73)
2	Maintain regular and systematic contact at senior level for exchange of views on management, strategy, performance and the quality of management.	20 (67)
3	Ensure that voting intentions are translated into practice.	21 (70)
4	Evaluate the corporate Governance performance of the company.	23 (77)

Responses are not mutually exclusive, Percentage is shown in Parenthesis

The above table depicts that majority of respondents advocated all the four variables to comply by the institutional investors for better corporate governance practices in Indian corporations.

6.6 Disclosure and Transparency Practices

The role of company secretary in the area of corporate governance is well established. Being the principal officer of the company he is invariably part of the top management of the company and has to play a significant role in maintaining accountability and transparency on the part of the company. However, now by the virtue of the compliance of corporate governance under clause 49, the company secretary has to shoulder greater responsibility. The data collected from company secretaries as respondents has been analyzed in Table 10.

Table 10: Factors Strengthening the role of Company Secretary

S.No.	Factors	No. of respondents
1	Vital Role played in ensuring good corporate governance.	13 (43)
2	Can play an effective role by being recognized as an ex-officio director on the Board of a Company.	15 (50)
3	Participation in evolving the best corporate practices.	17 (57)
4	Areas of disclosure must go beyond the traditional areas of financial and legal compliance.	30 (100)

Responses are not mutually exclusive, Percentage is shown in Parenthesis

It is clear from the Table 10 that all the respondents agreed that areas of disclosures must go beyond the traditional areas of financial and legal compliances. It should include non-financial information like environmental issues, social responsibility of business and related areas. These may be included in the Director's report to shareholders. Only selective companies are disclosing such details to the shareholders.

6.7 Financial Reporting and Auditing Practices

Integrity of accounting and auditing procedures along with good quality of financial disclosure are fundamental to corporate transparency and long term shareholder's support. The major responsibility of chartered accountant is to prepare financial statements, internal controls, checks and balances and internal audit etc. They should add value to every role they perform. The data collected from chartered accountants has been analyzed in table 11.

Table 11: Suggestions to improve corporate governance practices

S.No.	Suggestions	No. of agreed respondents
1	Strengthening the position of company secretary.	28(93)
2	Enlarging the area of certification work by company secretary.	27(90)
3	Secretarial audit as a means to bring about better legal and procedural compliance.	28(93)
4	Introducing secretarial standards as a means to bring about uniformity in secretarial audit.	26(87)

Percentage is shown in parenthesis. Responses are mutually exclusive.

From table 11 it can be seen that majority of chartered accountants have the opinion that secretarial work should be sound enough because the company secretary is the only person who can make a constant watch on the day-to- day working of the company and he can prove as a good whistle blower.

6.8 Adequacy of Corporate Governance Measures in today's Scenario

Presently Indian Companies are adopting several measures to improve the quality of corporate governance but such measures are not sufficient in today's scenario. The fact has also been accepted by 35% respondents about the non-adequacy of the proposed measures as shown in Table 12. This particular question has been asked from all 150 respondents of the study.

Table 12: Corporate Governance measurers in Today's scenario

S.No.	Respondents	Adequacy of present government measures	Inadequacy of present corporate governance measures
1.	Company Officials	27(18)	3(2)
2.	Company Secretaries	17(11)	13(9)
3.	Chartered Accountants	12 (8)	18(12)
4.	Shareholders	20(13)	10(7)
5.	Other Stakeholder	22(15)	8(5)
	Total	98(65)	52(35)

Percentage is shown in Parenthesis

To test the independency of the opinion of company secretaries and chartered accountants about existing measures of Corporate Governance, chi-square test has been applied. The data shown in table 12 is reproduced as below:

Group	Adequacy of Present corporate governance measures	Inadequacy of Present Corporate Governance measures	Total
Company Secretaries	17	13	30
Chartered Accountants	12	18	30
Total	29	31	60

Null Hypothesis H_0 = There is no difference in the opinions of company secretaries and chartered accountants.
Calculated value of x^2 = 1.66
Table value of x^2 for 1 degree of freedom at 5% significance level = 3.841
Since $x^2_{cal} < x^2_{Tab}$ therefore null Hypothesis is accepted. Hence both the professionals have same opinion about the adequacy and inadequacy of existing measures of corporate governance in India.

7. Conclusions

Since the late 1990s, significant efforts have been taken by Indian regulators, as well as by Indian industry representatives and companies, to overhaul Indian corporate governance. They have not only made reform measures prior to discovery of major corporate scandals but both industry groups and government actors have sprung into rapid action following the Satyam scandal. For listed companies, the vast majority of Clause 49 requirements are mandatory. It remains to be seen whether some of the more recent voluntary corporate governance measures will become mandatory for all companies through a comprehensive revision of the Companies Act.

The first hypothesis tested on the basis of t-test, it has been revealed that few organizations covered in the survey are complying with the mandatory recommendations of Birla committee. The second hypothesis tested on the basis of chi-square test has revealed that the respondent chartered accountants and company secretaries have the same opinion about the adequacy of, voluntary and mandatory measures available in India, to maintain good corporate governance. Only the question remains that, how these measures are being implemented by corporate world. The results of the present study supports the findings of previous researches in various countries that the governments have made adequate laws and measures to control corporate scams but in practice the companies actually are not implementing them seriously to gain undue financial and administrative advantages.

It is believed that this study shall intimate further research in this area, as research on corporate governance in India is in primitive stage. This study will benefit researchers, policy makers, planners, administrators and the Indian Government.

8. Suggestions for Better Corporate Governance

8.1 Suggestions Imperative for Corporate Sector

- Awarding contracts and arrangements with suppliers is one area where greater "transparency" is required at all levels. A greater role of the board of directors is required in examination of contracts entered on a random basis.

- Transfer pricing whether within the company or from one company to another within the same management is also a major issue. A greater vigilance, therefore, needs to be exercised by the board.

- A large issue in corporate governance is the use of company resources and funds for personnel use by the directors. A greater transparency, especially at the highest levels, is required.

- For implementing good governance the shareholders must participate in meetings.

- The companies should set-up audit and investor grievance committees. In addition to this some other committees' like environmental, board evaluation, succession planning, stock option etc. may also be formed by the companies chaired by non-executive directors.

- Training for directors should be made compulsory in respect of good corporate governance.

- In order to improve corporate governance the whistle blower policy should be encouraged.

8.2 Suggestions for Financial Institutions

- Financial institutions should appoint non-executive directors who should be professionally qualified persons, preferably company secretaries. They should maintain regular and systematic contact at senior level for exchange of views on management strategy and performance.

- The nominated members in the Board of Directors should be made accountable for any corporate misgovernance.

- Institutional investors should see themselves as owners and not just investors of companies. Further they should make positive use of their voting rights.

8.3 Suggestions for Professionals and Professional Bodies

- The audit firms may be changed periodically in order to eliminate the malpractices between management and auditors, if any.

- Auditors should be discouraged from performing other consultancy services for the same organization.

- For survival in this competitive profession, auditors must bring deficiencies in the accounts to the surface at the right time.

- In the USA, Canada, Singapore and Ireland, it is mandatory for audit firms to subject themselves to peer reviews if they carry out audit work of a listed company. Though it costs to the company, the same should be implemented in India also.

8.4 Suggestions for the Government

- The government should establish a Separate Body for Regulating Corporate Governance :

- International Financial Reporting Standards (IFRS) have also been adopted in India for the preparation of financial statements by public limited companies, yet there is dire need to strengthen the companies Act as it did not have enough provisions to initiate desired levels of action against erring managements.

- A separate Act on the lines of California Criminal Liability Act, 1991 must be passed in India under which, besides civil liability for violations and payments of damages or compensation, errant corporations and their executives must be subject to an additional criminal liability in terms of fine and imprisonment.

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