

CORPORATE GOVERNANCE IN INDIA - A REALITY STUDY

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ABSTRACT

Corporate Governance has been becoming a predominant focus in the corporate world. Governance is nothing but a process of overseeing the control and direction of management. Though the idea of corporate governance is existed in centuries, prominence has come only after World War II. In India corporates majorly started to consider it only after the efforts of Confederation of Indian Industry (CII) widely circulated the final draft of code in 1997 and released in April 1998.

This research article widely studies the evolution of concept Corporate Governance in Indian Industry, supported, and helped by reforms suggested by various committees for a strong practice.

In fact, the corporate governance practice will bring positive results for not only big corporates but small, micro, start-ups too.

In the ongoing phase of difficulties arise by the pandemic Covid-19 heightened the expectations of Corporate Governance. With the great learnings from the pandemic, corporates are understanding the importance of monitoring relationships with the stakeholders and society at large and going for E-Governance. Through this medium of e-governance, organizations and authorities observing that things are becoming more easier in terms of ease of business and ease of services and especially real time governance.

Keywords: Corporate Governance, Good Governance, India Inc, Corporate Governance in Covid 19, e-governance

INTRODUCTION

The concept Corporate Governance is indeed a prevalent subject in Indian corporate community, regulators, market, media, and common people amid various scandals and shareholder controversies.

What is governance?

Governance is overseeing that it is working appropriately, just like the concept management referred for running the business. Governance is the ability to maintain unity despite the diversity existing in the corporates or companies, making them human centric and leading to success. Good governance certainly reflects in success of the organization but at the same time, but it is also reflected in how the company learns from its failures and turns those failures into successes by overcoming obstacles in the way of success. Corporate governance is a solid mechanism for risk management, balancing risks, and benefits in business.

Now a days e-governance is becoming the buzz word especially during the pandemic and afterwards, as authorities and other stake holders are convincing with its importance and understanding its convenience. E-Governance is utilization of the omni present information and communication technology for more convenient and fool proof governance for the benefit of all the stake holders.

OBJECTIVES OF THE STUDY

1. To study the corporate governance scenario in Indian industry
2. To understand the Role of E-Governance in Good Corporate Governance

Crusade of Corporate Governance in India

The corporate governance situation in the country India has changed significantly since 1990s. 'The Confederation of Indian Industry (CII)' which aims to create and maintain an environment conducive to industrial

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growth, took an initiative in the field of corporate governance and published a ‘Task Force Report’ entitled "Desirable Corporate Governance: A Code of Practice" (1998), made certain recommendations on good corporate governance practices for the listed companies in NSE/BSE.

In the year 1999, the ‘Birla Committee’ recommended for improving the function and structure of company boards and enhancing disclosure to shareholders for the sake of more transparency in running businesses.

‘The Murthy Committee’ (SEBI Governance Committee, chaired by Shri NR Narayana Murthy, Infosys) in 2003 focused mainly on the ‘role and structure’ of corporate boards and reinforced the definition of director independence. They suggested that the audit committee should consist of members who are financially literate and provided for a key role to the audit committees.

The reforms implemented in the Companies Act 2013 are especially important to ensure transparency, fairness, and accountability in the corporate business world. The Companies Act 2013 contains strict administrative provisions among other relevant statutes and laws for governance. This includes changing the independence of ‘boards and audit committees,’ a more efficient and focused management observers, and helping shareholders, such as institutional and foreign investors, to monitor management. Failure to comply with the company’s act, may result in fines, imprisonment, or both also. As a result of this increased responsibility, various large, listed companies have undertaken various steps to establish a strong compliance system.

In October 2017, Mr. Uday Kotak (the executive vice-chairman and managing director, Kotak Mahindra Bank at that time) formed a committee consisting of various stakeholders., like - Industry, Stock Exchanges, Academicians, Professional Associations, Lawyers etc. who have strongly recommended some measures to improve the governance of listed companies – NSE/BSE in India.

These are.

- *“Ensuring independence in spirit of Independent Directors and their active participation in functioning of the company.*
- *Improving safeguards and disclosures pertaining to Related Party Transactions.*
- *Addressing issues in accounting and auditing practices by listed companies.*
- *Improving effectiveness of Board Evaluation practices.*
- *Addressing issues faced by investors on voting and participation in general meetings.*
- *Disclosure and transparency related issues, if any.*
- *Any other matter, as the Committee deems fit pertaining to corporate governance in India”¹.*

Well, all these really changed the scenario.

Research show that that the companies with excellent corporate governance framework generate.

- “29% more efficient at generating profits with the financial resources allocated to them.*
- 3.4 times more cashflow from their operations*
- double the return for shareholders.*
- Forty-three percent more efficient at making and selling products/services.*

Not only that, but it also states that.

- companies that progressively improve their governance score to the next quartile generate 44% more operating cashflow, a 46% increase in free cash flow and 10% higher operating efficiency”².*

INDIA INC PRACTICE OF CORPORATE GOVERNANCE

Here are few examples of how corporate India is implementing good governance for a better business world and society.

Corporate Governance philosophy of TATA Sons ensures *“fair, transparent, accountable, and ethical management to protect the interests of all stakeholders, including shareholders, employees, customers, vendors, regulators, and society. It follows the laws of the land in letter and spirit being an accountable corporate citizen. Tata Sons also goes beyond mere compliance to highlight certain behaviours and norms to Tata group operating companies”*³.

Infosys Limited identifies that *“the enhancement of corporate governance is one of the most important aspects in terms of achieving the Company’s goal of enhancing corporate value by deepening societal trust. – Infosys believes that it can be possible only when if there is a clear understanding of the respective roles of the Board of Directors and of senior management and their relationships with others in the corporate structure and striving for it. It strongly believes that Strong Corporate Governance founded on values is the bedrock of the sustained performance”*⁴.

Infosys collaborates with the corporate governance goal *“to ensure fairness for every stake holder – customers, investors, vendor-partners, the society and the governments of countries in which Infosys is operating”*⁵.

Reliance Industry Limited (RIL)’s corporate governance policy incorporates *“a set of systems and practices to ensure accountability, transparency, and fairness in all transactions in wide sense. RIL’s good governance practices include dynamic culture and positive mindset of the organization and commitment to meet the aspirations of all the stakeholders”*⁶.

Hindustan Unilever believes that – *“to succeed it requires the highest standards of corporate behaviour towards everyone we work with, the communities we touch, and the environment on which they have an impact. Of course, this is the road to sustainable, profitable growth and creating long-term value for its shareholders, people, and business partners”*⁷.

There is a common perception that a system of corporate governance practised by or limited to listed companies (NSE/BSE) only. But the practices of corporate governance will bring sea changes for small, micro, start-ups, and for those at later stages of starting too. – size does not matter but right practice of corporate governance really bring stability in this dynamic market conditions.

People across the various sects believe that corporate governance is a vague idea and does not have a single accepted definition. But in reality, corporate governance is a statutory framework based on corporate legislation, securities laws and policies and decisions of security regulators.

TRANSFORMATION OF E-GOVERNANCE

E-governance or electronic governance is of-course utilization of information and communication technology for ‘Simple, Moral, Accountable, Responsive and Transparent (SMART)’ Governance.

UNESCO defines E- Governance as *“the performance of governance via the electronic medium in order to facilitate an efficient, speedy and transparent process of disseminating information to the public, and other agencies, and performing government administration activities”*⁸.

The great visionary and the previous president of India, Dr. APJ Abdul Kalam, described e-governance as future and elucidated the importance of e-Governance in his inauguration address at the International Conference on e-Governance, held at IIT New Delhi (2003) that *“A transparent smart e- Governance with seamless access, secure and authentic flow of information crossing the interdepartmental barrier and providing a fair and unbiased service to the citizen”*⁹

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According to him, India's core competence is in ICT - Information and Communication Technology - so the possibility of bringing transparency in administration and governance can succeed through electronic commerce and e-business, leading to in a quick, convenient, and transparent manner.

ROLE OF E-GOVERNANCE IN GOOD CORPORATE GOVERNANCE:

The utilization information technology in corporate governance indicates improved efficiency, greater speed and of course lowers costs to ensure smooth running. Obviously, e- Governance speed up service delivery and protect the interests of stakeholders. Availing information everywhere and anywhere helps the governance with more efficiency and effectiveness.

The goals of e-governance are,

- a) Improved services delivery to citizens
- b) Steering in transparency and accountability
- c) Empowering people through information
- d) Improved efficiency in governing
- e) Enhanced interface with business and industry

For making e-Governance stronger and give more benefits, a structure is needed which is made by nothing but people, process, Technology and Resources.

For a successful corporate Governance, the most important elements which contribute and enhances are fairness, transparency, accountability, responsibility, and independence.¹⁰ At the same time, the organization should provide the employee and other interest groups with sufficient and correct necessary information at the right time, which is especially important when making decisions. Here comes the significance of e-governance which serves the very purpose of corporate governance. The utilization of Information Technology (IT) improves the ability of the organization in addressing the needs of the stakeholders and other interesting groups including society at large.

IMPLICATIONS OF E-GOVERNANCE IN CURRENT STATE OF AFFAIRS

Information and communication technology (ICT) applications and technology will positively influence organization's administration systems.

Technology enables the automation of administrative processes with minimum human intervention and, of course system driven. Various Software and networking systems have made the operations like budgeting, accounting, data flow easier and error-free. This naturally increases the pace of work faster and more efficient.

Electronic storage and retrieval of information made the communication more authentic and led to the concept of paperless office.

The quality of services provided by organisations has improved along with increased accountability, responsiveness, and sensitivity. Stakeholders are getting services efficiently and promptly and at the most affordable cost and with a wider reach, as *"ICT enables minimal interference of humans in work process with enhanced technology, resulting reduced bureaucratic delays caused by hierarchical process in the organizations"*¹¹.

BENEFITS OF E-GOVERNANCE

With the help of ICT, organizations are providing information and business services at lower costs, in lesser time and with better expediency.

When we see the example of Maharashtra State Government e-Governance initiatives,

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“SETU – computerisation of the front-end at revenue offices for monitoring applications submitted by people and addressed in a fixed time.

SARITA – Stamp and Registration with Information Technology Application – which is computerisation of the entire process of property document registration.

SARTHI – Computerisation of driving and vehicle registration process.

LMIS – Computerisation of land records.

SEAS – Fast MIS for revenue collections from excise duty”¹²

The proud thing we notice here is SARITA won the Best Revenue System and SETU became the Best Citizen Centric Project at the national level.

Information and Communication Technology enhances the dissemination of information with more efficiency and accountability. It clearly leads to a reduction in corrupt practices.

Another success story of e-governance is “MeeSeva” by Andhra Pradesh Government means “At your Service” facilitates entire G2C (Government to Consumer) & G2B (Government to Business) services.

‘Meeseva’ function successfully working on the “*central pooling of all land records, Registration records, socio-economic survey records and digitally signing them with the digital signature certificates of the authorized officer, storing them in the database and rendering them using a web-service. All the documents rendered are digitally signed and electronically verifiable making them tamper proof*”¹³ –with the help of ‘Meeseva’, the work can be done within hours and without any harassments or corruption.

‘Meeseva’ won "8th Digital Transformation Award" as "mGovernance Initiative of the Year" in the year 2022.

Clearly there is a close relationship business and society, and the Covid – 19 pandemics proved this once again. Covid – 19 has changed the environment devastating the economy and looming uncertainty for various businesses. The pandemic has challenged principal ground i.e., agency-based governance model. The lessons learned from Covid-19 make the role of organizations’ boards and senior management more crucial in monitoring relationships with the key stakeholders and the society in large.

CONCLUSION

Corporate governance is the processes, practices and structures through a company manages its business to meet the requirements and how it benefits of all the stakeholders and society in large.

Good governance is a corporate reality that helps achieve organizational goals, protect stakeholder interests, and ensure trust in a social, regulatory, and dynamic market environment.

Easy access to government services improves citizens' trust in the government and people come forward to disclose their views and feedback freely and fearlessly. Better access to information has empowered citizens and motivated them for participation and allowing them to share information and participate in initiatives.

The change has augmented the acceptance of digitalization at all the levels through cybersecurity, flattening organization structures and, more importantly shorter decision lines that enable flexible decision making in these ongoing uncertain and unexplored situations.

It proven that poor governance results in reluctant investors and can damage an organization's reputation.

Pandemic or not, good governance is a reality whose corporate practice helps achieve organizational goals, protect stakeholder interests, and ensure trust in a social, regulatory, and dynamic market environment.

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