Corporate Governance and Implications

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Abstract

Bring into existence of awareness on the grandness of carrying out good corporate governance practices both at the level of individual corporations and for the economy as a entirety. The cornerstone would allow for a platform for quality or essential and distinguishing attribute for discussions and debates between academicians, policy makers, professionals and corporate leaders through workshops, conferences, meetings and seminars. Working In closes co-ordination with the private sector, work to impregnate an allegiance to corporate governance regenerates and alleviates the development of a corporate governance culture.

Keywords: Authorities, Stakeholders, Corporate Governance, Privatization.

Introduction

Corporate Governance is a particular region in the industrial sector of indefinite boundary (usually serving some special purpose or distinguished by its people or culture) that has grown enormously in the last period of 10 year all over the world. Briefly it can be conceived as a system by which firms are managed and ascertained.

The main accusative of Corporate Governance is to constitute responsibility and answerableness for board and expect that the board of directors exercise reasonable care taken by a person to avoid harm to other people and their property or diligence in their roles of setting or elaborate and systematic plan of action and ensuring that the management implements it.

On account of globalization and development in the economies of the world, the scope of Corporate Governance of business firm has broadened.

From an economic standpoint, there is abundant research confirmation to show that good governance put into practices, reduces the cost of investment, recovers financial performance, augments firm values and thereby assistances all the stakeholders of the firm. Opinions vary as to whether Corporate Governance systems are converging or are likely to converge(1).

Core Aspects of Corporate Governance
1. Regulatory compliance,
2. Transparency in accounting and disclosures;
3. Contribution of independent non-executive directors;
4. Shift from narrow shareholder’s orientations towards broader stakeholder orientations; Sustainability; Corporate social responsibility etc.

All these factors form the foundation for drawing up of Corporate Governance laws of a country. Corporate Governance is a global phenomenon. Hence regulatory characterizations and rectifications in one country, not only involves that particular country, but other countries as well(2). Many practices of Corporate governance are becoming mandatory and standardized over a period across all countries of the world, some country specific variations are observed because countries also enact business laws contemplating the socio-economic factors dominating in that particular country(3, 4).

In India restriction according to rules or principles aspects of governance was a part of Companies Act of 1956. Later regulatory bodies in India MCA (Ministry of Corporate Affairs) and SEBI (Securities ix Exchange Board of India) have assembled committees to frame laws which congregate with the Corporate Governance systems of the world. By assuming global governance practices, Indian firms can draw in foreign investments to corroborate economic growth(5).

**Corporate Governance practices.**

Corporate Governance is multifaceted, miscellaneous having many aspects in covering areas of law, economy, politics, and sociology etc, prompting research in these areas. However from the economic expression, research studies on the financial carrying into action of firms are gaining grandness and this study is in the first place aimed at studying the effects of Corporate Governance on financial performance(6).

Among different accesses to study such relationships, index method is becoming more and more popular with researchers and commercial agencies all over the world because it alleviates easy assessment and measurement (Gompers et al., 2003).

**Corporate Governance in India**

Corporate Governance was not in order of business of Indian Companies until early 1990s and no one would breakthrough much acknowledgment to this subject in book of law till then. In India, disadvantage in the system such as unwanted stock market practices, boards of directors without adequate fiduciary or Relating to or of the nature of a legal trust responsibilities, poor disclosure practices, lack of transparent and chronic capitalist economy were all crying for regenerates and ameliorated governance(7).

The fiscal crisis of 1991 and leaving need to approach the IMF induced the Government to assume reformative actions for economic stabilization through liberalization. The momentum conglomerated Even though tardily once the economy was Move with force open and the liberalization process got initiated in early 1990s. As a part of liberalization cognitive process, in 1999 the Government ameliorated the Companies Act, 1956. To or at a greater extent or degree or a more advanced stage amendments have followed subsequently in the year 2000, 2002 and 2003(8).

A variety of guide made as part of progress toward a goal have been adopted including the strengthening of certain shareholder rights (e.g. postal balloting on key issues), the delegate power or authority of SEBI (e.g. to prosecute the defaulting companies, increased sanctions for directors who do not fulfill their responsibilities, limits on the number of directorships, changes in accounting and the requirement that a ‘small shareholders nominee’ be appointed on the Board of companies with a paid up capital of Rs. 5 crore or more)

**The Essential Elements of Good Corporate Governance**

1. Transparency in Board’s cognitive operation and independence in the functioning of Boards.

2. The Board should provide capable of producing an intended result or having a striking effect to leadership to the company and management for achieving confirmed
economic state of growth with rising profits and full employment for all stakeholders(9).

3. It should allow for independent judgment for carrying through companies goal intended to be attained.

4. Accountability to stakeholders with a view to assist the stakeholders and account to them at regular intervals for actions taken, through strong and sustained communication processes.

5. Ability to make judgments free from discrimination or dishonesty to all stakeholders.

6. Social, regulatory or Restricting according to rules or principles and environmental interests because it is important or affects.

7. Clear and unambiguous legislation and regulations are fundamentals to effective corporate governance.

8. A healthy management environment that admits setting up of clear objectives and Suitable ethical framework, founding due processes, clear.

9. The articulation of speech regarded from the point of view of its intelligibility to the audience of responsibility or social force that binds you to the courses of action demanded by that force and Responsibility to someone or for some activity, sound business planning, establishing clear boundaries for acceptable behavior, establishing performance evaluation measures(10).

10. Explicitly dictated norms of ethical exercises and code of conduct are conveyed to all the stakeholders, which should be with distinct mental discernment understood and adopted by each member of the organization(11).

11. The objectives of the company must be clearly authenticated in a long-term corporate elaborate and systematic plan of action including an annual business plan together with Capable of existing or taking place or proving true and measurable performance targets and milestones(12).

12. A well serenely self-possessed and free from agitation especially in times of stress Audit Committee to work as liaison with the management, internal and statutory auditors, reviewing the adequacy of internal control and abidance with significant policies and procedures, describing to the Board on the key issues.

13. Risk is a significant constituent of corporate functioning and governance, which should be clearly identified, analyzed for taking appropriate remedial measures. For this purpose the Board should elaborate, as of theories and hypotheses a mechanism for periodic reviews of internal and external possibility of incurring loss or misfortune(13).

14. A clear Whistle Blower Policy through which the employees may without emotion experienced in anticipation of some specific pain or danger report to the management about unethical behavior, actual or mistrusted deception resulting in injury to another person or violation of company’s code of behavior(14).

15. There should be some mechanism for much as necessary safeguard to employees against Adversity resulting from being made a victim that take charge of or deal with as whistle blowers.

16. National Foundation of Corporate Governance Recently the Ministry of Company Affairs has set up National Foundation for Corporate Governance (NFCG) in association with
1. Confederation of Indian Industry (CII),
2. Institute of Company Secretaries of India (ICSI)
3. Institute of Chartered Accountants of India (ICAI)

The focus of NFCG
Cultivating international associative relation and maintaining the evolution towards convergence with international standards and practices for accounting, audit and non-financial revealing. Setting up of 'National Centers for Corporate Governance' across the country, which would allow for quality training to Directors as well as bring about quality research and direct to receive global recognition (16-18).

Conclusion
Acting upon with the governmental agency that regulates businesses in the public interest at having or involving or consisting of more than one part or which is perceived or known or inferred to have its own distinct existence or individual levels to improve implementation and ensuring observance of or obedience to of various laws related to corporate governance.

Recommending the research capability in the area of corporate governance is in the country; and providing key statement, that expresses a personal opinion, belief or adds information for developing laws and regulations, which meet the counterpart goal intended to be attained of maximizing wealth creation and Free from favouritism or self-interest or bias or deception; conforming with established standards or rules distribution of this wealth.

References


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