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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

INTRODUCTION TO CORPORATE GOVERNANCE

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ABSTRACT

This research paper provides an insight about the concept and scope of corporate governance. The attention towards corporate governance has been flaring up since last decade. It has received profound and wide acceptance for its relevance and importance to the industry and economy. The prime focus of this paper is to elaborately know the fundamentals and the foundation on which corporate governance is based upon and its auxiliaries.

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KEYWORDS
CSR, corporate governance.

INTRODUCTION

What is corporate Governance in layman's terms?
Corporate governance refers to the set of systems, principles and processes by which a company is governed. They provide the guidelines as to how the company can be directed or controlled such that it can fulfill its goals and objectives in a manner that adds to the value of the company and is also beneficial for all stakeholders in the long term. Stakeholders in this case would include everyone ranging from the board of directors, management, shareholders to customers, employees and society. (Economic Times, January 18, 2009 | Lisa Mary Thomson , ET Bureau)
Also, Corporate Governance may be defined as a set of systems, processes and principles which ensure that a company is governed in the best interest of all stakeholders. It is the system by which companies are directed and controlled. It is about promoting corporate fairness, transparency and accountability. In other words, 'good corporate governance' is simply 'good business'. It ensures:

- Adequate disclosures and effective decision making to achieve corporate objectives;
- Transparency in business transactions;
- Statutory and legal compliances;
- Protection of shareholder interests;
- Commitment to values and ethical conduct of business.

LITERATURE REVIEW

There has been renewed interest in the corporate governance practices of modern corporations, particularly in relation to accountability, since the high-profile collapses of a number of large corporations during 2001–2002, most of which involved accounting fraud; and then again after the recent financial crisis in 2008. Corporate scandals of various forms have maintained public and political interest in theregulation of corporate governance. In the U.S., these include Enron and MCI Inc. (formerly WorldCom). Their demise is associated with theU.S. federal government passing the Sarbanes-Oxley Act in 2002, intending to restore public confidence in corporate governance. Comparable failures in Australia (HIH, One.Tel) are associated with the eventual passage of the CLERP 9 reforms.[5] Similar corporate failures in other countries stimulated increased regulatory interest (e.g., Parmalat in Italy).(Wikipedia) Lee, Janet & Shailer, Greg. The Effect of Board-Related Reforms on Investors Confidence. Australian Accounting Review, 18(45) 2008: 123-134.
Do we just want the companies/organizations to comply to the rule regulations and norms to be fully complied by them, merely being obedient or do we want them (the board of the company/the head/the management of the company) to play active role and use their intelligence of how to work in the best manner for the best interest of the shareholders.
(NSE IGIDR International conference on Corporate governance ,Professor,University of Sydney, July 26, 2014)
In other words, corporate governance is the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It deals with conducting the affairs of a company such that there is fairness to all stakeholders and that its actions benefit the greatest number of stakeholders. In this regard, the management needs to prevent asymmetry of benefits between various sections of shareholders, especially between the owner-managers and the rest of the shareholders.
(Business.gov.in)
Compliance requirements pertaining to members of the Exchange are given in byelaws, regulations and circulars of the Sebi , Exchange and the Clearing Corporation (NSE Compliance Handbook,2014).
Corporate governance abuses perpetrated by a dominant shareholder pose a difficult regulatory dilemma in that regulatory intervention would often imply a micro-management of routine business decisions. The regulator is forced to confine himself to broad proscriptions which leave little room for discretionary action. Many corporate governance problems are ill suited to this style of regulation.
(Varma, Jayanth Rama. "Corporate governance in India: disciplining the dominant shareholder." IIMB Management Review 9.4 (1997): 5-18.)
Basic Corporate Governance framework in India:
Companies Act, 1956 provides for basic framework for regulation of all the companies.
Certain provisions were incorporated in the Act itself to provide for checks and balances over the powers of Board viz.:

- Loan to directors or relatives or associated entities (need CG permission) (Sec 295)
- Interested contract needs Board resolution and to be entered in register (Sec 297)
- Interested directors not to participate or vote (Sec 300)
- Appointment of director or relatives for office or place of profit needs approval by shareholders. If the remuneration exceeds prescribed limit, CG approval required (Sec 314)
- Audit Committee for Public companies having paid-up capital of Rs. 5 Crores (Sec 292A)

Corporate governance is beyond the realm of law. It cannot be regulated by legislation alone. Legislation can only lay down a common framework – the "form" to ensure standards. The "substance" will ultimately determine the credibility and integrity of the process. Substance is inexorably linked to the mindset and ethical standards of management.
Studies of corporate governance practices across several countries conducted by the Asian Development Bank, International Monetary Fund, Organization for Economic Cooperation and Development and the World Bank reveal that there is no single model of good corporate governance.

The OECD Code also recognizes that different legal systems, institutional frameworks and traditions across countries have led to the development of a range of different approaches to corporate governance. However, a high degree of priority has been placed on the interests of shareholders, who place their trust in corporations to use their investment funds wisely and effectively is common to all good corporate governance regimes.

RESEARCH METHODOLOGY

Looking into requirements of the objectives of the study the research design employed for the study is of descriptive type. Keeping in view of the set objectives, this research design was adopted to have greater accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study. The investigator procures the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded.

FINDINGS

It is useful at this point to take a closer look at corporate governance abuses by dominant shareholders in India. The problem of the dominant shareholder arises in three large categories of Indian companies. First are the public sector units (PSUs) where the government is the dominant (in fact, majority) shareholder and the general public holds a minority stake (often as little as 20%). Second are the multi-national companies (MNCs) where the foreign parent is the dominant (in most cases, majority) shareholder. Third are the Indian business groups where the promoters (together with their friends and relatives) are the dominant shareholders with large minority stakes, government owned financial institutions hold a comparable stake, and the balance is held by the general public. The governance problems posed by the dominant shareholders in these three categories of companies are slightly different. (Varma, Jayanth Rama. "Corporate governance in India: disciplining the dominant shareholder." IIMB Management Review 9.4 (1997): 5-18.)

The Indian corporate governance system has both supported and held back India's ascent to the top ranks of the world's economies. While on paper the country's legal system provides some of the best investor protection in the world, enforcement is a major problem, with overburdened courts and significant corruption. Ownership remains concentrated and family business groups continue to be the dominant business model, with significant pyramiding and evidence of tunneling activity that transfers cash flow and value from minority to controlling shareholders.

But for all its shortcomings, Indian corporate governance has taken major steps toward becoming a system capable of inspiring confidence among institutional and, increasingly, foreign investors. The Securities and Exchanges Board of India (SEBI), which was established as part of the comprehensive economic reforms launched in 1991, has made considerable progress in becoming a rigorous regulatory regime that helps ensure transparency and fair practice. And the National Stock Exchange of India, also established as part of the reforms, now functions with enough efficiency and transparency to be generating the third-largest number of trades in the world, just behind the NASDAQ and NYSE.(Chakrabarti, Rajesh, William Megginson, and Pradeep K. Yadav. "Corporate governance in India." Journal of Applied Corporate Finance 20.1 (2008): 59-72.).

RECOMMENDATIONS & SUGGESTIONS

It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company. Ethical dilemmas arise from conflicting interests of the parties involved. In this regard, managers make decisions based on a set of principles influenced by the values, context and culture of the organization. Ethical leadership is good for business as the organization is seen to conduct its business in line with the expectations of all stakeholders.

The aim of "Good Corporate Governance" is to ensure commitment of the board in managing the company in a transparent manner for maximizing long-term value of the company for its shareholders and all other partners. It integrates all the participants involved in a process, which is economic, and at the same time social.

The fundamental objective of corporate governance is to enhance shareholders' value and protect the interests of other stakeholders by improving the corporate performance and accountability. Hence it harmonizes the need for a company to strike a balance at all times between the need to enhance shareholders' wealth whilst not in any way being detrimental to the interests of the other stakeholders in the company. Further, its objective is to generate an environment of trust and confidence amongst those having competing and conflicting interests.

It is integral to the very existence of a company and strengthens investor's confidence by ensuring company's commitment to higher growth and profits. Broadly, it seeks to achieve the following objectives:

- A properly structured board capable of taking independent and objective decisions is in place at the helm of affairs;
- The board is balance as regards the representation of adequate number of non-executive and independent directors who will take care of their interests and well-being of all the stakeholders;
- The board adopts transparent procedures and practices and arrives at decisions on the strength of adequate information;
- The board has an effective machinery to subserve the concerns of stakeholders;
- The board keeps the shareholders informed of relevant developments impacting the company;
- The board effectively and regularly monitors the functioning of the management team;
- The board remains in effective control of the affairs of the company at all times.
- The overall Endeavour of the board should be to take the organization forward so as to maximize long term value and shareholders' wealth.

Today adoption of good Corporate Governance practices has emerged as an integral element for doing business. It is not only a pre-requisite for facing intense competition for sustainable growth in the emerging global market scenario but is also an embodiment of the parameters of fairness, accountability, disclosures and transparency to maximize value for the stakeholders.

CONCLUSIONS

Also, irrespective of the model, there are three different forms of corporate responsibilities which all models do respect:

Political Responsibilities: the basic political obligations are abiding by legitimate law; respect for the system of rights and the principles of constitutional state.

Social Responsibilities: the corporate ethical responsibilities, which the company understands and promotes either as a community with shared values or as a part of larger community with shared values.

Economic Responsibilities: acting in accordance with the logic of competitive markets to earn profits on the basis of innovation and respect for the rights/democracy of the shareholders which can be expressed in terms of managements' obligation as 'maximizing shareholders value'.

The three key constituents of corporate governance are the Board of Directors, the Shareholders and the Management. In addition, business ethics and corporate awareness of the environmental and societal interest of the communities, within which they operate, can have an impact on the reputation and long-term performance of corporations.

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