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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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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

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

WEBSITES

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

CORPORATE GOVERNANCE FAILURES IN INDIA - A REVIEW

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ABSTRACT

Corporate governance is defined as "the system by which companies are directed and controlled". The separation of ownership and control in corporations with dispersed ownership structure highlights the agency issue due to conflict between agents (managers) and principals (shareholders). Corporate governance issues in India are, however, due to a different agency problem that arises on account of the conflict between dominant and minority shareholders. Therefore, the corporate governance mechanism in India should focus on safeguarding minority shareholders from expropriation by dominant shareholders. This research identifies the issues responsible for corporate governance failure. A case study is done for some selected companies to identify the key issues for governance failure.

KEYWORDS

Corporate Governance, shareholders

INTRODUCTION

The concept of corporate governance is deeply embedded in corporate law and jurisprudence. Corporate governance is often defined as "the system by which companies are directed and controlled" (Financial Reporting Council, 1992). Shareholders are owners of the corporation and efficacy of a corporate governance mechanism depends upon how the shareholder wealth and rights are protected. The development and refinement of corporate governance standards has often followed the occurrence of corporate governance failures that have highlighted areas of particular concern.

Corporate governance has drawn world attention when the big companies such as Enron in United Kingdom and WorldCom in United States collapse in 2001 and 2002 respectively. With regards to this matter, researchers began to explore the corporate governance field from many perspectives and authorities started to implement rules and regulations to overcome this issue.

Roe (2005) traces the recurring breakdowns in American corporate governance to two core and enduring instabilities in the American governance context: (1) the separation of ownership and control, with ownership resting with distant and diffuse shareholders while control is exercised by hired managers; and (2) a decentralized and porous regulatory system, in which multiple regulators with partial authority contribute to a flexible, specialized, and comprehensive regulatory framework while there is no single, unified regulatory agency that oversees the disparate regulatory efforts and resolves potential conflicts and inconsistencies across regulatory agencies. These two core attributes of the United States governance framework have obvious strengths, but they are also beset by weaknesses that come to the fore each time U.S. corporations and stakeholders experience a governance crisis.

For instance, the separation of ownership and control are acknowledged as facilitating significant economies of scale in the operation of large firms, the hiring and retention of highly qualified managerial talent, the ease of entry into and exit from markets, and the availability of capital to meet the financing needs of entrepreneurs and start-up firms, and so on.

In contrast to the problems that underlie the governance context in the United States, the governance failures witnessed in developing nations like India and China stem not from the separation of ownership and control, but from the concentration of ownership and control within state-owned, public-sector units, or family owned businesses, and from the pyramidal ownership structures that dominant shareholders use to achieve greater control of the firm (Rajagopalan & Zhang, 2008).

In both countries, the fundamental problem of concentration of ownership and control in the same hands is further exacerbated by: (1) the lack of incentives for firms and their managers to implement governance reforms, (2) underdeveloped external monitoring systems and weak regulatory agencies, and (3) a shortage of qualified independent directors. While India's formal financial reporting standards essentially meet international standards for accountability and transparency, and its principal regulator––the Securities and Exchange Board of India––is set up to be independent of the government (''Bank Incentives,'' 2009), enforcement of governance laws is often weak and characterized by significant loopholes. Political connections also often undermine the independence and will of enforcement agencies (''Did SEBI,'' 2009). In other words, while the United States governance context needs to deal with the challenges posed by a decentralized and porous regulatory system, developing countries lack a regulatory structure with the political will and judicial support to enforce reforms that are enacted.

REVIEW OF LITERATURE

Dr Saleem Shaikh & William Rees talks about perspective of corporate governance, role of 'exit and voice in corporate governance, expectations from corporate governance, ownership and accountability in corporate governance. They also talk about corporate governance and corporate control.

According to Allen the whole basis of the granting by the state of privileges of incorporation needs to be re examined there is a need for a redefining of the nature of company, of its ownership and of its control. In broader terms, the responsibilities and obligations which a company owes to its shareholders, workers, creditors, consumers, and public at large need to be examined at length

Bryan and Farrell's research work discusses about nature of corporate governance in the developing global economy and pitfalls of this new economic structure. Their paper also discusses about the role of Corporate Governance in the global economy.

John L. Collyey, Jr. Jacqueline L. Doyle , George W. Logan , Wallace Stettinius in their book titled ' What Is Corporate Governance' deals about various aspects of Corporate Governance . This book provides a deep insight to the topic. It also talks about duties and responsibilities of top management towards the stake holders and society in general.

Robert A.G. Monks and Nell Minow in their book on Corporate Governance is based on the trends and practices of Corporate sector. This book talks about the practical applicability of Corporate Governance. It also explains the importance of Corporate Governance with the help of various real corporate examples.

Corporate failures have reasons first and for most are the bad business plans and poor managerial decisions in some instance the government's pressure and regulatory forbearance is a contributing factor. Second reason of the corporate collapse is fraud or dissimulation by management.

Historical developments that impact the overall scope of the corporate governance in different countries is discussed by Randall K. Morck, Lloyd Steir (2005) who observed that financial disasters tainted French confidence in financial securities early on, and set corporate governance in that country on a different parity from that of Britain, where a similar trauma was overcome and forgotten. Similarly historical trends such as imperial monopoly in China that was evident in the late 19th century, large scale trading networks belonging to particular communities and ethnic groups and sectarian groups in India, family and bank controlled pyramidal groups in Germany, Zeibatsu and Keiratsu in Japan and Chaebols in Korea etc., have influenced the process of growth of corporate governance in the respective countries. Certain features that are common to all countries that contributed to the varying types and pace of the corporate governance norms include; Accidents of history, ideas, families, business groups, trust, law, origins, evolution, transplants, large outside shareholders, financial development, politics and entrenchment, etc.

SIGNIFICANCE OF THE STUDY

This study describes the corporate governance failures and its impact on the financial economy of the organization. The relevant points are illustrated through various case studies of corporate companies. This study is significant as it highlights the key issues causing governance failure and suggests useful measures to enhance the governance standards.

STATEMENT OF THE PROBLEM

Corporate governance issues in India are, however, due to a different agency problem that arises on account of the conflict between dominant and minority shareholders. Therefore, the corporate governance mechanism in India should focus on safeguarding minority shareholders from expropriation by dominant shareholders. The issue has serious ramifications on Indian economy that is looking for greater foreign capital and investment to boost its economic growth.

OBJECTIVES

The study intends to examine the failures occurring in corporate governance. The main objectives of the study include:

1. To identify the key issues responsible for corporate governance failure
2. To examine and illustrate case studies for some selected companies for the failure
3. To recommend suggestions to enhance the standards of corporate governance and avoid failure

HYPOTHESIS

After reviewing the issues related to corporate governance failures, some hypothesis can be developed as:

H1: Corporate Governance insures the safety to the share holder's investment but also the efficient utilization of resources & attainment of overall corporate objective.

H2: In order to make corporate governance successful in India there is a need for a transparent systematic corporate structure, which can define the basic problem areas of corporate governance.

RESEARCH METHODOLOGY

METHOD OF DATA COLLECTION

Mainly, qualitative analysis is performed in this study which includes collection of data through reports having case studies of different corporate companies experiencing governance failure. The case studies of various companies are listed to evaluate the governance failure.

CASE STUDIES

KINGFISHER AIRLINES

Kingfisher Airlines is an airline group based in India. Its head office is The Qube in Andheri (East), Mumbai; and Registered Office in UB City, Bangalore. Kingfisher Airlines was established in 2003. It is owned by the Bengaluru based United Breweries Group. Kingfisher Airlines, through its parent company United Breweries Group, has a 50% stake in low-cost carrier Kingfisher Red. The airline started commercial operations in 9 May 2005 with a fleet of four new Airbus A320-200s operating a flight from Mumbai to Delhi. It started its international operations on 3 September 2008 by connecting Bengaluru with London. The airline has been facing financial issues for many years. Till December 2011; Kingfisher Airlines had the second largest share in India's domestic air travel market.

Ever since the airline commenced operations in 2005, the company is reporting the losses. But the situation became more horrible after acquiring the Air Deccan in 2007. After acquiring the Air Deccan, the company suffered a loss of over Rs. 1,000 crore for three executive years. By early 2012, the airline accumulated the losses of over Rs. 7,000 crore with half of its fleet grounded and several members of its staff going on strike. Following table1 highlights the losses since inception:

TABLE 1: NET REPORTED LOSSES AND DEBTS SINCE INCEPTION (Rs. In Crores)

Year	Mar-11	Mar-10	Mar-09	Mar-08	Jun-07	Jun-06	Mar-05
Loss	-1027.4	-1646.22	-1608.83	-188.14	-419.58	-340.55	-16.79
Secured Loans	5,184.53	4,842.43	2,622.52	592.38	716.71	448.16	159.42
Unsecured Loans	1,872.55	3,080.17	3,043.04	342.00	200.00	3.50	125.06

Debt restructuring also couldn't change the game. By restructuring, company had reduced the interest charges by Rs. 500 crores every year, but due to the high leverage condition and increase in cost, the company started to face the liquidity problem. The company had no funds in hand and it created the payment problems such as delayed salaries, Fuel dues, Aircraft lease rental dues, service tax, bank arrears etc. The reason behind the failure is bad governance as judged by many politicos.

A suggested course correction

- All stakeholders should realize that passenger convenience and safety should be paramount. Public and investor scrutiny is very high and the government and lenders should be less tolerant. Banks should not throw good money after bad under the same board and management. Good corporate governance and good business sense should prevail at the banks.
- More than 90% of the shareholding of the promoters is pledged to lenders. The banking consortium of State Bank of India, ICICI Bank Ltd, IDBI Bank Ltd, Bank of India, UCO Bank and Punjab National Bank should unilaterally exercise the pledge, after which they will own more than 75% of the equity of the airline. Apart from term loans, the capital structure also consists of 7.5% cumulatively redeemable preference shares and 8% optionally convertible debentures, which presumably are also pledged, and on exercise, would only increase the equity holding of the banking consortium.
- The enforcement of collateral by banks would likely drive the wealth of existing shareholders – including some of the banking consortium's own equity holding in Kingfisher -- to near zero.

- Subsequently, bankers should call for an extraordinary general meeting where they place resolutions to remove existing directors and appoint new directors with experience and bring different perspective to the process. As the banking consortium will own more than 75% voting rights, they can table and pass any resolution.
- The new board should then recapitalize the airline by bringing in other investors as an equity partner and seeking newer additional term loans for the airline. Private equity players, other investors and business groups would be keen to buy into a Kingfisher airline franchisee. Similar instances of recapitalization were possible at Vishal Retail and Centurion Bank.
- This recapitalization and restructuring exercise would bring in newer shareholders, fresh management and a new focus to the airline. Having been pushed to the wall, banks wouldn't have to suffer the loss u

SKS MICROFINANCE

SKS Microfinance is the latest blow to India Inc's corporate governance norms. This high-profile microfinance company has sacked its CEO, under a shroud of secrecy. The bigger question is whether these aggressive, for-profit organisations should be allowed to play havoc with the finances of the rural poor.

A week after SKS Microfinance shocked the corporate world by sacking its CEO, the company's image as the messiah of India's rural poor is suffering from a steady erosion. One of the main reasons for SKS's damaged public image is that the company's board of directors and the glittering list of SKS shareholders have chosen to maintain a stunning silence over the way the CEO was sacked and also the swirling rumors regarding how the company was run. The Securities and Exchange Board of India (SEBI) has done well this time to react quickly and publicly in asking the company to explain its action. It has also done well to let it be known (through media leaks) that it is not satisfied with the answer. We learn that one reason for SEBI's quick response could be the fact that before the IPO (Initial Public Offering), some of its shareholders had complained about a preferential offer to a select group, which was later dropped.

Exit of Mr Akula from SKS Micro finance Limited, the only listed micro finance company, provides some lessons in corporate governance. The first is that holding of majority voting rights by institutions does not necessarily improve corporate governance. The company's shareholding pattern as at September 2011 was: Promoters: 37%, FII 19%, Indian Financial Institutions: 6%, Indian Bodies Corporate: 14%, Foreign Bodies Corporate: 12 % and others: 12%. Effective corporate governance requires institutions to play their role effectively. That has not happened in the case of SKS. Second is that the corporate governance system comes under stress when a company deviates from its stated vision and mission.

SATYAM COMPUTERS

On January 7, 2009, B. Ramalinga Raju––founder and chairman of Satyam Computer Services, one of India's largest and most respected software and IT services companies––admitted that he had committed India's biggest corporate fraud, having manipulated the company's income statements, cash flows, and balance sheet for more than 7 years. The $1.47 billion fraud on the Satyam (meaning truth, in Sanskrit) balance sheet included overstated revenues and profits, acts that were perpetrated by the founder and his brother, the company's CEO, to attract more business and avoid any possible hostile takeover. ''It was like riding a tiger, not knowing how to get off without being eaten,'' Mr. Raju wrote in his confession statement (''India's Enron,'' 2009). Prior to this turn of events––which resulted in the arrests of the chairman, the CEO, and the CFO of the company, and pending criminal indictments as well––Satyam had been widely recognized for exemplary corporate governance, and Raju hailed as a role model for successful business and entrepreneurship. The founder and his co-conspirators reported fictitious cash deposits, misstated accounts receivables and accounts payables, understated liabilities, and overstated assets; these falsities only came to the fore when Raju tried to buy two other firms owned by his family. Shareholders revolted against the acquisition proposal because they viewed the planned purchases as attempts to prop up other failing family businesses by siphoning cash out of the profitable software firm.

EVERONN SYSTEMS

Everonn is a fully integrated knowledge management, education and training company, offering a range of services that include creating educational and training content, designing and executing large learning initiatives, setting up the needed infrastructure for learning and training. It is one of the leaders in computer education in schools and colleges. It is also one of the leading players in setting up virtual and interactive learning classroom networks across India.

Everonn was incorporated in 2000 and became a leading education player in a decade. The Blackstone Group invested $42 mn in Everonn in 2009. The company's growth can be attributed to two major segments — ICT (information and communications technology) and ViTELS (virtual and technology-enabled learning solutions) platforms. It is predominantly focused on ICT for revenue. The segment involves setting up of computer laboratories in government schools under the built/own/operate/transfer (BOOT) model, typically for five years. Schools run by the state governments are its customers. The central government has been funding this initiative under its Sarva Shiksha Abhiyan (SSA) and ICT@Schools programmes.

The crisis in Chennai-based education services provider Everonn Education deepened , with its non-executive chairman Jamshed J Irani resigning following arrest of managing director P Kishore in a bribery case. The Everonn stock plunged 20 per cent to hit a new 52-week low and was the top loser on the Bombay Stock Exchange. It hit a lower circuit to close at Rs 351.45, down Rs 87.85

The board also appointed a business council consisting of two independent board members to advise the CEO. The Central Bureau of Investigation had issued a press statement about the arrest of Kishore for allegedly bribing Rs 50 lakh to a tax official to reduce income-tax liability. The arrest of Kishore, also Everonn's founder, is likely to increase concerns over corporate governance practices in several Indian companies. "Market is worried with companies where there are corporate governance issues," said S P Tulsian, an independent investment analyst.

During the June quarter, all major shareholders in Everonn had reduced their stake. According to data available from BSE, both the promoters and foreign institutional investors reduced their holdings marginally, by 38 basis points and 87 basis points, respectively. Domestic institutional investors cut their stake by around four per cent.

MANPPURAM GOLD FINANCE

Manappuram Finance, the second-biggest lender against gold, plunged 19.96% as investors worried about its ability to continue sourcing funds and questions were raised about corporate governance after the RBI said the company and its group cannot access public deposits. Depositors remained calm with little signs of panic as the company assured that all was fine with its operations and the central bank's diktat will have limited impact on its operations or its ability to serve them. "There are enquiries and clarifications, but everything is under control," said I Unnikrishnan, Managing Director, Manappuram Finance. Manappuram shares ended 19.96% lower at 45.50. The RBI said Manappuram Finance and an unlisted group company are not eligible to accept public deposits as it was a violation of rules governing its licence to function as a lender. Any such act is punishable with imprisonment, the bank said. Members of the public depositing money with Manappuram Finance or MAGRO would be doing so at their own risk, it said.

The lender founded in 1949 has been the best performer in the stock markets given its secured lending business that has high profit margins. Unlike traditional lending by banks, the risk of default is quite low and even if such an event happens, the loan amount is fully recovered unless there's a sharp crash in gold prices.

It has come to the notice of the Reserve Bank that Manappuram Finance has been accepting deposits from the public in its branches and offices has been issuing deposit receipts in the name of Manappuram Agro Farms (MAGRO), a sole proprietary concern of Shri V.P Nandakumar who is the Executive Chairman of the company,? it said.

MAGRO is an unlisted subsidiary company belonging to the Manappuram group. The RBI circular further said that in some cases instead of repaying the matured deposits, the amount was rolled over as a fresh deposit with the receipts being issued in the name of MAGRO. Before converting itself into a non-deposit taking NBFC last year, the company had public deposits worth Rs 1.23 crore. Later, an amount of Rs 32 lakh was rolled over as a fresh deposits with MAGRO. In September last year, the company had raised Rs 442 crore through a public issue of secured NCDs offering interest rates in the range of 12-12.56%. It is again planning to raise Rs 500-600 crore in March through a similar like issue. The interest rates are not yet decided. The company's retail borrowing book stood at Rs 640 crore as on December 31 as against Rs 312 crore in March 31, 2011.

FINDINGS

1. In spite of several provisions in Indian constitution and many clauses under UN, still corporate governance is a contemporary issue not only in India but all around the world.
2. In order to make corporate governance successful in India there is a need for a transparent systematic corporate structure, which can define the basic problem areas of corporate governance.
3. Corporate Governance can be made effective only by educating entrepreneurs about its importance. By making them realized that how Corporate Governance can help them in achieving their corporate goals in long run.
4. There is a need for further review of Clause-49 and Voluntary guidelines for CorporateGovernance-2000 and other present provisions regarding corporate governance.

RECOMMENDATION

We suggest a number of measures to that certainly will give more safeguards to minority shareholders and help raise Indian corporate governance standards.

A. APPOINTMENT AND SELECTION OF DIRECTORS

Current legal provisions permit dominant shareholder control on the director selection and appointment process. This gives promoters significant say and control of the Board in addition to their influence on management. We propose the proportional representation of minority shareholders on the company Board linked to their shareholding. The nomination committee is currently only an option stipulate for companies to establish under Clause 49 of the Listing Agreement. We feel that constitution of nomination committee should be made obligatory.

B. ACCOUNTABILITY OF BOARD AND INDEPENDENT DIRECTORS

The provisions of Voluntary Guidelines require that the Board should review its every decision in relation to impact on minority shareholders. This provision is critical for minority shareholder and certainly deserves to be a necessary stipulation. Any decision in board meeting requires disclosure in the corporate governance report with explanation as to how it affects minority shareholders. Independent directors are the main mechanism that may resolve the agency conflict between dominant shareholder and minority shareholders. But, critical examination is required so that independent directors remain independent of the promoters/ dominant shareholders. Accountability of independent directors towards minority shareholders needs deep review.

C. MONITORING AND APPROVAL OF RELATED PARTY TRANSACTIONS

Audit committee role needs more specification in monitoring related party transaction. The board should approve all transactions up to a certain threshold limit. Above that level, shareholder approval with at least 75 % majority should be necessary.

D. INDEPENDENCE OF AUDITOR AND QUALITY OF AUDIT

Independent auditors can play important role in tracing related party and illegal transactions. Considering the inherent opaqueness in these transactions due to persistence of complex ownership structure, they are very difficult to trace from an audit point of view. Independence of auditor and quality of audits performed by them is significant in protecting minority shareholders' independent directors, peer audit, banning auditors to give non-audit services, establishment of an audit review board and monitoring of payment to the auditors are some mechanisms to improve corporate governance.

E. ENFORCEMENT

In India, quantum of penalties for non-compliance with provisions is quite low. Stringent penalties and even rigorous imprisonment are required in case of non-compliance that seriously affect minority shareholder rights.

FOR LARGE MFIS

While we can have impressive norms for corporate governance, they cannot be effectively enforced through regulation discussed critical issues with regard to corporate governance in large NBFC MFIs, this article explores what MFI (microfinance institution) boards can (themselves) do to improve the practice of corporate governance in reality. Here are some initial practical suggestions based on experience:

1. Limit the number of MFI boards on which a director may sit to not more than three at any given point in time. This will hopefully afford directors the time and space to understand how the MFIs-on whose boards they serve as directors-are actually performing on the ground. During and before the crisis in India, I had personally witnessed directors-who were on multiple MFI boards (often exceeding three)-jumping planes in a literal sense and having very little time to attend to their fiduciary and other responsibilities. Therefore, it appears necessary to ensure that there is a limit-in tune with physical reality-on the number of MFI boards in which a director may sit. And three appears to be a good permissible number.
2. Separate the functions of the chairman of the board of directors and MD (or chief executive officer or equivalent) in MFIs, where they are together and ensure that appropriate outsiders at least occupy one of those posts. This is very critical and should result in dispersed power, especially when the founder promoter is the chairman and/or managing director. Much of the excessive risk taking (in the form of multiple and larger loans being given to sub-prime like clients) that occurred during the lead up to 2010 Andhra Pradesh (AP) microfinance crisis happened primarily because there was no one on the board to seriously question the enthusiastic and entrepreneurial promoters, occupying one or both of these positions. Often, this was because the promoter had in the first place, appointed these individuals to the board and this caused a conflict of interest
3. Create a transparent board recruitment (or appointment) policy that clearly specifies the duties and profile of MFI directors, including the chairman. Such a policy must also ensure that directors have adequate skills and experience (apart from the availability of time to do their job). The policy must also ensure that the overall composition of the MFI's board of directors is suitably diverse-including more women, youth, clients (or their interest groups) and individuals with the requisite skills (but possibly different backgrounds) in the board is perhaps a way to improve the boards' overall functioning and effectiveness.
4. Ensure that MFI boards develop (on their own) a formal conflict of interest policy and an objective set of compliance procedures and processes for implementing the same. Such a policy should ideally include: (a) an MFI director's duty to avoid (if possible), all activities and transactions that could either create a conflict of interest or even the appearance of a conflict of interest; (b) a transparent set of processes and procedures for MFI directors to follow before they engage in certain types of activities (such as agreeing to serve on the board of another MFI or that of a lender or an investor etc) so as to ensure that such activities will not create a conflict of interest; (c) an MFI director's duty to disclose any activity and issue that may result, or has already resulted, in a conflict of interest; (d) an MFI director's (voluntary) responsibility to abstain from voting on any matter where the director may have a conflict of interest or where the director's objectivity/ability to properly fulfill duties to the MFI may be compromised; (e) adequate procedures and clear norms for transactions and activities conducted with related parties on an arms-length basis; and (f) transparent procedures by which the MFI board will deal with the issue of any non-compliance with the (conflict of interest) policy.
5. Suitably compensate MFI board members for their time but do not incentivize their working on the basis of stock options or other such mechanisms that invariably encourage undue or excessive 'risk' taking as was witnessed during the 2010 AP microfinance crisis. Even if the law permits, it seems prudent not to remunerate board members through stock options and the like as then the independence of directors may be seriously compromised. Again, the happenings in India in the run up to the 2010 AP microfinance crisis clearly demonstrates the fact that independent directors who have been so compensated have Not performed their fiduciary and other duties appropriately. The key issue to note here is much of the 2010 crisis occurred because board members and senior management were compensated heavily (in the short-term) whereas the risks of their strategies could be known only in the medium/long-term. This mismatch created a huge incentive for excessive risk taking, which, in turn, led to the 2010 AP microfinance crisis.
6. Make it mandatory for MFI boards to set up a risk committee and establish clear rules regarding the composition and functioning of this committee. Additionally, make it compulsory for one or more members of the audit committee to be a part of the risk committee and vice versa. Further, the chairman

of the risk committee should always report to the AGM and outline the role that directors have played in shaping the MFI's risk profile and strategy. Also, the risk committee should frame a 'risk control declaration' which should also be published so as to ensure its wider dissemination and use - both within and outside the organization.

7. And last but not the least, create an obligation for a specific duty ('duty of care') to be established for the board of directors so that they take into explicit account the interests of various stakeholders (mainly, clients) during the decision-making procedure. This is especially critical and much of the 2010 AP microfinance crisis would not have occurred if only boards of MFIs had exercised such a duty of care that explicitly looked after the interest of clients who were constantly over-indebted

CONCLUSION

The recurrence of corporate governance crises in highly developed, as well as developing, economies reminds us that the price of economic growth and opportunity is indeed eternal vigilance. Understanding the differences in the institutional contexts helps us to realize that what works to curb governance failures in one context may be less effective in another, and that the timing and focus of reforms should reflect the realities of the economic and institutional conditions that different nations face.

The above discussion clearly establishes that the only way to improve the corporate governance in India is to give enough safeguards to minority shareholders. An assessment of minority shareholders rights and protection implicates that India lags in giving adequate safeguards to investors. There exist laws on minority shareholder protection, but they are not adequate. Commensurately, there exists a significant gap in Indian corporate governance regulatory framework that warrants utmost safeguards to minority shareholder rights. Policy makers possibly can do this by creating a conducive environment and promulgating laws for protection of minority shareholder rights. The issue has also serious ramifications on Indian economy that is looking for greater foreign capital and investment to boost its economic growth.

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