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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	ANALYSIS OF IPOs UNDERPRICING: EVIDENCE FROM BOMBAY STOCK EXCHANGE ROHIT BANSAL & DR. ASHU KHANNA	1
2.	BANKRUPTCY PREDICTION OF FIRMS USING THE DATA MINING METHOD ATIYE ASLANI KTULI & MANSOUR GARKAZ	8
3.	THE EFFECT OF BASEL III REQUIREMENTS ON IMPROVING RISK-MANAGEMENT CAPABILITIES IN JORDANIAN BANKS DR. MOHAMMED FAWZI ABU EL HAJJA	12
4.	CAPITAL STRUCTURE DETERMINANTS: CRITICAL REVIEW FOR SELECTED INDIAN COMPANIES DR. AVANISH KUMAR SHUKLA	18
5.	IMPACT OF INFLATION ON BANK LENDING RATE IN BANGLADESH EMON KALYAN CHOWDHURY	23
6.	THE PERCEPTION OF BANK EMPLOYEES TOWARDS COST OF ADOPTION, RISK OF INNOVATION, AND STAFF TRAINING'S INFLUENCE ON THE ADOPTION OF INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) IN THE RWANDAN COMMERCIAL BANKS MACHOGU MORONGE ABIUD & LYNET OKIKO	27
7.	ICT, ELECTION AND DEVELOPMENT IN AFRICA NDUONOFIT, LARRY-LOVE EFFIONG & ONWUKWE, VIVIAN CHIZOMA	32
8.	MODERATING ROLE OF EMOTIONAL INTELLIGENCE TOWARDS STRESS AND EMPLOYEE PERFORMANCE IN THE INDIAN BANKING SECTOR BEULAH VIJI CHRISTIANA.M & DR. V. MAHALAKSHMI	35
9.	FACTORS INFLUENCING CUSTOMER LOYALTY IN MOBILE PHONE SERVICE - A STUDY WITH REFERENCE TO COIMBATORE CITY DR. V.T.R. VIJAYAKUMAR & B.SUBHA	39
10.	A STUDY ON OCCUPATIONAL STRESS AMONG GRADE I POLICE CONSTABLES M.SHUNMUGA SUNDARAM & DR. M. JAYA KUMARAN	44
11.	A STUDY ON THE IMPACT OF SPIRITUALITY ON ORGANISATIONAL PERFORMANCE WITH SPECIAL REFERENCE TO ORGANISATIONS IN SALEM CITY DR. M. G.SARAVANA RAJ & R. FLORENCE BHARATHI	49
12.	A COMPARATIVE STUDY OF SELF- EFFICACY AND SUBJECTIVE WELL- BEING AMONG EMPLOYED WOMEN AND UNEMPLOYED WOMEN DR. K. JAYASHANKAR REDDY	54
13.	NETWORK SECURITY THREATS AND SOLUTIONS IN A VIRTUAL MARKETPLACE DR. PANKAJ KUMAR GUPTA & DR. AJAY KUMAR TIWARI	58
14.	A STUDY OF SUPPLIERS CERTIFICATION AT DIFFERENT LAYERS AND ITS IMPACT ON QUALITY IN AUTO COMPONENT INDUSTRY DR.DATTATRY RAMCHANDRA MANE	61
15.	GLOBAL LIFE INSURANCE PENETRATION AND DENSITY DR. GUDALA SYAMALA RAO	69
16.	AN ENHANCE SECURITY OF PLAYFAIR CIPHER SUBSTITUTION USING A SIMPLE COLUMNAR TRANSPOSITION TECHNIQUE WITH MULTIPLE ROUNDS (SCTTMR) GAURAV SHRIVASTAVA, MANOJ DHAWAN & MANOJ CHOUHAN	75
17.	CONSUMERS PERCEPTIONS OF CORPORATE SOCIAL RESPONSIBILITY: EMPIRICAL EVIDENCE AMIT B. PATEL, DR. VIMAL K. BHATT & JATIN K. MODI	79
18.	A STUDY ON FINANCIAL HEALTH OF KINGFISHER AIRLINES LTD: (Z- SCORE APPROACH) JIGNESH. B. TOGADIYA & UTKARSH. H. TRIVEDI	84
19.	STRATEGIES OF CUSTOMER RELATION MANAGEMENT IN MODERN MARKETING DR. T. PALANISAMY & K. AMUTHA	88
20.	CORPORATE GOVERNANCE IN OIL & GAS SECTOR: AN EMPIRICAL INVESTIGATION RASHESH PATEL & SWATI PATEL	92
21.	KNOWLEDGE MANAGEMENT & MOBILIZING KNOWLEDGE IN EDUCATION BY FOLLOWING CASE STUDY OF YU;GI-OH WORLD SMITA.SJAPE	101
22.	STUDY OF CRM THROUGH SOCIAL NETWORKING SITE: A FACEBOOK PERSPECTIVE TEENA BAGGA & APARAJITA BANERJEE	107
23.	ORDINARY LEAST SQUARES METHOD AND ITS VARIANTS R. SINGH	114
24.	IT INFRASTRUCTURE IN CREATING POTENTIAL MARKETING OPPORTUNITIES IN INDUSTRIES: AN EMPIRICAL STUDY OF SELECT INDUSTRIES IN KARNATAKA MANJUNATH K R & RAJENDRA M	120
25.	THE IMPACT OF KNOWLEDGE MANAGEMENT ON BUSINESS ORGANIZATION SUNITA S. PADMANNAVAR & SMITA B. HANJE	126
26.	LOCUS OF CONTROL AMONG HIGH SCHOOL TEACHERS DEEPA MARINA RASQUINHA	129
27.	KNOWLEDGE MANAGEMENT: A CONCEPTUAL UNDERSTANDING AINARY ARUN KUMAR	135
28.	A STUDY ON EFFECTIVENESS OF ORGANIZATIONAL HEALTH IN SMALL SCALE INDUSTRIES DR. J. S. V. GOPALA SARMA	142
29.	JOB SATISFACTION DURING RECESSION PERIOD: A CASE STUDY OF PUBLIC & PRIVATE INSURANCE IN PUNJAB HARDEEP KAUR	149
30.	BANKING SECTOR REFORMS IN INDIA DR. SANDEEP KAUR	156
	REQUEST FOR FEEDBACK	162

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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

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APPENDIX/ANNEXURE

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CORPORATE GOVERNANCE IN OIL & GAS SECTOR: AN EMPIRICAL INVESTIGATION**RASHESH PATEL****ASST. PROFESSOR****SHRI JAIRAMBHAI PATEL INSTITUTE OF BUSINESS MANAGEMENT & COMPUTER APPLICATIONS****NATIONAL INSTITUTE OF COOPERATIVE MANAGEMENT****POST GRADUATE CENTER OF GUJARAT TECHNOLOGICAL UNIVERSITY (MBA)****GANDHINAGAR****SWATI PATEL****ASST. PROFESSOR****SHRI JAIRAMBHAI PATEL INSTITUTE OF BUSINESS MANAGEMENT & COMPUTER APPLICATIONS****NATIONAL INSTITUTE OF COOPERATIVE MANAGEMENT****POST GRADUATE CENTER OF GUJARAT TECHNOLOGICAL UNIVERSITY (MBA)****GANDHINAGAR****ABSTRACT**

Corporate governance refers to the structures and processes for the direction and control of companies. Corporate governance matters because it improves investee companies' performance and helps develop capital markets. Sound corporate governance reduces risk, adds value to investments, and avoids reputational risks for investors. Given the strong links between good corporate governance and sustainable economic development, improving corporate governance practices has become an important element of the development mission of financial institution and corporate sector. This empirical investigation analyzes the Corporate Governance disclosure practices in Indian Oil & Gas Sector companies with research Objective to examine and compare corporate governance practices of companies of the said sector. Research Methodology undertaken is Corporate Governance Score card for comparison purpose in the light of CG compliance requirements and mandatory/non-mandatory disclosure standards, as envisaged by the recent provisions of the SEBI's "Clause 49 of the Listing Agreement". We have primarily used secondary sources of information, both from the Reports and literature on corporate governance and the Annual Report of respective companies, for the financial year 2011. For data analysis Descriptive statistics and comparative Score card have been employed and Microsoft Excel has been used to analyze and interpret the data.

KEYWORDS

Corporate Governance, Disclosure Practices, Oil and Gas Industry, SEBI, Clause 49.

CORPORATE GOVERNANCE

Good corporate governance makes good, hard-nosed business sense. Countries with strong corporate governance practices attract capital. Today's domestic and international investors are likely to shy away from countries that do not guarantee investor rights, that do not provide for adequate corporate disclosure, and that do not ensure sound board practices, as put by Mervyn King, Chairman of the King Committee on Corporate Governance, South Africa.(15)

The International Financial Corporations defines it as the structures and processes for the direction and control of companies including Financial Stakeholders (Shareholders); Boards of Directors (Checks and Balances); Control Environment (Accounting, Controls, Internal and External Audit) Transparency and Disclosure, although it may reinforce, Corporate Social Responsibility/Corporate Citizenship; Socially Responsible Investing; Elements of Sustainability; Political Governance; Ethics; Anti-Corruption/Anti-Money Laundering factors.

LITERATURE REVIEW

Florencio Lopez-de-Silanes, Andrei Shleifer, Robert (1997) with study object that of most basic prediction of the legal approach is that investor protection encourages the development of financial markets. Author finds that when investors are protected from expropriation, they pay more for securities, making it more attractive for entrepreneurs to issue these securities and thereby study reveals and applies to both creditors and shareholders' Investor Protection and Corporate Governance.(6)

La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1998) in the working paper discuss a set of key legal rules protecting shareholders and creditors and document the prevalence of these rules in 49 countries around the world. Authors aggregate these rules into shareholder (anti director) and creditor rights indices for each country, and consider several measures of enforcement quality, such as the efficiency of the judicial system and a measure of the quality of accounting standards leading to further possibility of research in the area of aligning the judicial system and laws towards corporate governance principles.(8)

Cyril Lin (2000) in cross comparative analysis between level of economy and status of governance system observes, "Transition and most developing economies have corporate landscape morphologies significantly different from those of advanced market economies. They typically have large and inefficient public sectors. Their corporate landscapes and industrial structures are dominated either by large SOEs or by large founder family-owned and controlled firms". Problem in these economies is not so much insider control (so advocated by Shleifer and Vishny (1997) per se as it is one of which type of insider and/or excessive ownership concentration.(4)

Black and Khanna (2007) analyzes Clause 49 of the Listing Agreement to the Indian stock exchange (Bombay Stock Exchange), a major governance reform in India in 2000, which resembles the U.S. Sarbanes-Oxley Act.13. Clause 49 requires that companies have, among other things, audit committees, a minimum number of independent directors, and chief executive officer and chief financial officer certification of financial statements and internal controls.14 Initially, the reforms applied only to larger firms; they reached smaller public firms after a several-year lag. Black and Khanna document that this reform was of greater benefit to firms that need external equity capital and to cross-listed firms, suggesting that local regulation can complement, rather than substitute for, firm-level governance practices.(3)

Afra Afsharipour (2010) in the study of Indian firm's corporate governance benefits and effects find that the larger Indian firms in particular seemed to welcome Clause 49's reforms because they appear to have benefited from the more robust corporate governance rules imposed by Clause 49. In their event study of the impact of Clause 49 reforms on the market value of Indian firms, Professors Black and Khanna found a significant rise in the share price of large firms following SEBI's initial announcement to adopt corporate governance reforms similar to those proposed by the CII. This result reflected investor expectations that corporate governance reforms would increase the market values of larger Indian public firms.(1)

NEED AND IMPORTANCE**INDIAN OIL AND GAS INDUSTRY OVERVIEW**

India is the fifth largest consumer of energy in the world, and is likely to surpass Japan and Russia to become the world's third biggest energy consumer by 2030. According to the International Energy Agency (IEA), hydrocarbons satisfy major energy demand in India wherein coal and oil, together, represent about two-thirds of total energy use. Natural gas accounts for about 7 per cent share. According to Oil & Gas Journal (OGJ), India has about 5.7 billion barrels of proven oil reserves. India's oil and gas sector has attracted investors round the globe as the country enjoys rich reserves of resources.⁽¹³⁾ The petroleum and natural gas industry in India has attracted foreign direct investment (FDI) worth US\$ 3, 332.78 million during April 2000 to December 2011, according to the data provided by Department of Industrial Policy and Promotion (DIPP). The Department further recorded US\$ 196 million during April– December 2011-12, in the industry. Showing the alarming need of regulatory and corporate governance compliance norms as to attract more Investments through better disclosure , transparency and investor safety perspective policies. ⁽¹³⁾

CORPORATE GOVERNANCE IN OIL & GAS SECTOR

Dr. Sarkar (2011) eminent analyst states that “Among the Indian national oil companies Indian Oil remains the true to the belief that good corporate governance practices lead to efficient running of the company and help in optimizing value for its stakeholder. The company has been making an effort to uphold the principles of corporate governance to ensure transparency, integrity and accountability in its functioning - elements that are vital to achieve its vision of becoming a major diversified transnational, integrated energy company”. With the adoption of, (a) Code of conduct for directors and senior management personnel, (b) code of conduct for prevention of insider trading, (c) policy on risk assessment and minimizing procedures, the company has further enhanced its commitment towards corporate governance. Access to the right to information act manual that addresses the constitutional right to know and access information relating to any private body. BPCL and Reliance Industries RIL have joined the club of select Asian companies to rank high in a Corporate governance Poll. RIL is the only Indian Private Sector company in the Top Five Leagues in Energy Sector, in a recently conducted Corporate Governance Poll published in issue of Asian money magazine. Among the four Indian Companies in the energy sector BPCL, a public sector undertaking is ranked no.1 with the score of 78 and is followed by RIL in second place with the score of 72. India leads with four companies followed by three companies from China, two from Thailand and one from Korea.⁽¹⁴⁾

Sebastian Molineux -Project Manager IFC, in the IFC Report quotes the reference to the poll conducted among investors by McKinsey, 85% of market participants believe that in evaluating companies in Eastern Europe the level of corporate governance plays the same or even a higher role than their financial performance. Even more impressive is the following fact: 73% of investors investing in Eastern Europe are ready to pay a premium for companies with efficient corporate governance and the premium which investors are ready to pay for Russian companies with good corporate governance is as big as 38% ⁽¹²⁾

Greco, Giulio (2012) in their efforts of continuous analyses of Ownership structures, corporate governance and earnings management in the European Oil Industry Research investigates the impact of corporate governance and ownership structure variables on earnings management in the European oil industry. The findings show non-linear relationships among institutional investors ownership and governmental ownership with the magnitude of earnings management.⁽¹⁸⁾

For institutional investors ownership authors found a positive association within lower levels of ownership (consistently with the short-term transient view of institutional investors shareholding) and a negative association within higher levels of ownership (consistently with the long-term orientation view of institutional investors, playing a monitoring role over the company's financial performance).⁽¹⁹⁾

The corporate governance scorecards “ assess a company's governance practices and provide opportunities for systematic improvement. The scorecard is closely related to the corporate governance code and represents all of its relevant criteria. Different scores related to these criteria are assigned thus, the scorecard determines a total value of corporate governance” ⁽¹⁶⁾. This approach is designed to depict for companies the quality of their own corporate governance and to facilitate comparisons between companies, which also makes it a source of useful information for investors. Scorecard is derived as per the Corporate Governance guidelines of OECD and Clause 49 of SEBI Listing Agreement which satisfies the mentioned research objectives for studying Oil & Gas Industry corporate governance scenario.

STATEMENT OF THE PROBLEM

The study aims to evaluate the state of compliance of various governance parameters in these companies. The parameters include the Statutory and Non mandatory requirements stipulated by revised Clause 49 of the listing agreement as prescribed by Securities and Exchange Board of India (SEBI), Kumar Mangalam Birla Committee Recommendations. and relative amendments in the Companies Act, 1956 to ascertain and investigate Indian Oil and Gas companies adherence levels to corporate governance principles as per norms prescribed.

OBJECTIVES OF THE STUDY

- To analyze corporate governance practices and differences with respect to the disclosure norms by the selected Indian companies from the oil & gas industry for year ending 2011.
- To study annual reports and corporate governance reports with reference of mandatory and non mandatory disclosure and respective parameters described by SEBI for Indian companies as per Clause 49 of listing agreement.

RESEARCH METHODOLOGY

- 1) The companies selected are ONGC and Cairn India – Oil drilling and exploration industry and IOCL & Reliance Industries Limited – Refineries Industry with the criteria of having highest market capitalization as on June 2012 as per respective field and listed in NSE/BSE.
- 2) For analysis data was derived from annual reports and corporate governance report of FY 2011 from the official websites of the company. Hence, Parameters based Score card method has been adopted for comparative analysis.
- 3) Descriptive statistics and comparative Score card (Table 1) have been employed and Microsoft Excel have been used to analyze and interpret the data

ANALYSIS, RESULTS AND DISCUSSIONS

TABLE 1: CORPORATE GOVERNANCE SCORE CARD FOR THE YEAR ENDING ON 31-3-2011

No	Governance Parameters	IOCL 2011	ONGC 2011	RIL 2011	CAIRN 2011
1	Statement of Company's philosophy on code of governance	2	2	2	2
2	Structure and Strength of board	2	2	2	2
3	Chairman & CEO Duality				
	I Promoter Executive Chairman – Cum – MD / CEO	0	0	1	0
	II Non promoter Executive Chairman cum MD / CEO	2	2	0	0
	III Promoter Non Executive Chairman	0	0	0	1
	IV Non Promoter Non Executive Chairman	0	0	0	0
	V Non Executive Independent Chairman	0	0	0	0
4	Disclosure of Tenure and Age limit of directors	1	1	2	1
5	Disclosure of :				
	I Definition of Independent Director	1	0	1	1
	II Definition of Financial Expert	0	0	0	0
	III Selection Criteria of Board of Directors incl. Independent directors	1	1	1	0
6	Post Board meeting follow up system and compliance of the board procedures	2	2	2	1
7	Appointment of lead independent director	0	0	2	0
8	Disclosure of other provision as to the boards and committees	1	1	1	1
9	Disclosure of				
	I Remuneration Policy	1	1	1	1
	II Remuneration of Directors	1	1	1	1
10	Code of Conduct				
	I Information on Code of Conduct	1	1	1	1
	II Affirmation of compliance Board Committee	1	1	1	1
11	Board committee				
A	Audit Committee				
	I Transparency in composition of audit committee	1	1	1	1
	II Compliance of minimum requirement of the number of independent directors in the committee	1	1	1	1
	III Compliance of minimum requirement of the number of meetings of the committee.	1	1	1	1
	IV Information about literacy & expertise of committee members.	1	1	1	1
	V information about participation of head of finance, statutory auditor and chief internal auditor in the committee meeting	2	2	2	1
	VI Disclosure of audit committee charter and terms of reference	1	1	1	1
	VII Publishing of audit committee report	1	1	1	1
B	Remuneration / Compensation Committee				
	I Formation of the committee	1	1	1	1
	II Information about number of committee meetings	1	1	1	1
	III Compliance of minimum requirement of number of non-executive directors in the committee.	1	0	1	1
	IV Compliance of the provision of independent director as a chairman of the committee.	1	0	1	1
	V Information about participation of all members in the committee meeting	1	1	1	1
C	Shareholders' / Investors Grievance Committee				
	I Transparency in Composition of the committee	1	1	1	1
	II Information about nature of complaints & queries received and disposed -item wise.	0.5	1	1	1
	III Information about number of committee meetings	1	1	1	1
	IV information about action taken and investors/shareholders survey.	0.5	1	1	1
	V publishing of committee report	0	1	1	0
D	Nomination Committee				
	i) Formation of the Committee	0	0	1	1
	ii) Publishing of committee charter and report	0	0	0	0
	E Health, Safety and Environment Committee	1	1	1	0
	F Ethics and Compliance Committee	0	1	0	1
	G Investment Committee	0	0	1	0
	H Share Transfer Committee	1	1	1	1
12	Disclosure and Transparency				
A	Significant related party transactions having potential with the interest of the company conflicts.	2	2	2	1
	B Non Compliance related to capital market matters during last three years.	2	2	2	1
	C Accounting treatment	2	2	2	0
	D Board Disclosure - Risk Management				
	i) Information to the board on Risk Management	2	2	0	0
	ii) Publishing of Risk Management Report	0	0	0	1
E	Management Discussion and Analysis	2	2	2	2

F	Shareholders' Information				2
	i) Appointment of new director / re appointment of existing director.	1	1	1	
	ii) Quarterly results and Presentation	1	1	1	2
	iii) Share Transfers	1	1	1	1
	iv) Directors Responsibility Statement	1	1	1	1
G	Shareholder Rights	1	2	2	1
H	Audit Qualification	2	2	2	2
I	Training of Board Members	2	2	2	2
J	Evaluation of Non-Executive Directors	0	2	0	2
K	Whistle Blower Policy	2	2	2	2
13	General Body Meetings				
I	Location and time of general meetings held in last three years	1	1	1	1
ii	Details of Special Resolution passed in last three AGMs \EGM'S	1	1	1	1
iii	Details of resolution passed last year through postal ballot incl. conducting official and voting process.	1	1	1	1
14	Means of communication and General shareholder information.	2	2	2	2
15	CEO / CFO Certification	2	2	2	2
16	Compliance of Corporate Governance and Auditors' Certificate.				
I	Clean Certificate from Auditor	5	5	5	3
ii	Qualified Certificate from auditors	5	5	5	5
17	Disclosure of Stakeholders' interests :				
I	Environment, Health & Safety Measures (EHS)	1	2	2	1
ii	Human Resource Development Initiative (HRD)	1	2	2	1
iii	Corporate Social Responsibility (CSR)	2	2	2	1
iv	Industrial Relation (IR)	1	0	2	1
V	Disclosure of policies on EHS, HRD, CSR & IR	0	1	1	0
TOTAL		78	83	87	74
RANK		3	2	1	4

Das S C (2007), Corporate Governance Standards and Practices information Technology Industry in India, The Management Accountant, 111-113 Clause 49 Score Card Reference (5)

SUB CATEGORYWISE ANALYSIS

TABLE 2: STATEMENT OF COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

No	Governance Parameters	IOCL	ONGC	RIL	CAIRN
		2011	2011	2011	2011
1	Statement of Company's philosophy on code of governance	2	2	2	2

ANALYSIS

All the four selected companies in brief have clearly stated their "Statement of Company's philosophy on code of governance". So they all have scored 100% in this parameter.

TABLE 3: STRUCTURE AND STRENGTH OF BOARD

No	Governance Parameters	IOCL	ONGC	RIL	CAIRN
		2011	2011	2011	2011
2	Structure and Strength of board	2	2	2	2

ANALYSIS

The companies have aptly stated the structure, strength and composition of their board of directors and thus they have scored full in this parameter.

TABLE 4: CHAIRMAN & CEO DUALITY

No	Governance Parameters	IOCL	ONGC	RIL	CAIRN
		2011	2011	2011	2011
3	Chairman & CEO Duality				
I	Promoter Executive Chairman - Cum - MD / CEO	0	0	1	0
ii	Non promoter Executive Chairman cum MD / CEO	2	2	0	0
iii	Promoter Non Executive Chairman	0	0	0	3
iv	Non Promoter Non Executive Chairman	0	0	0	0
V	Non Executive Independent Chairman	0	0	0	0

ANALYSIS

"The appointment of Chairman of the board carries of critical importance. Separation of chairman and CEO post is considered as one of the best practices in industry in today's corporate world and it is also important from the point of view of non promoters share holders". (Sanjay P. S. Desai & Dr. I Bhanumurthy)(9) ONGC & IOCL being a public company, have Non promoter Executive Chairman cum MD / CEO. In RIL, the chairman is Promoter Executive Chairman - Cum - MD / CEO so it scores low in that parameter. Cairn India scores the maximum with a non-executive chairman.

TABLE 5: DISCLOSURE OF TENURE AND AGE LIMIT OF DIRECTORS

No	Governance Parameters	IOCL	ONGC	RIL	CAIRN
		2011	2011	2011	2011
4	Disclosure of Tenure and Age limit of directors	1	1	2	1

ANALYSIS

RIL is the only company that has disclosed in details about the tenure and age of directors. Others have not mentioned the tenure and thus have scored low on this parameter.

TABLE 6: DISCLOSURE OF DEFINITION AND SELECTION CRITERIA FOR (INDEPENDENT) DIRECTORS

No	Governance Parameters	IOCL	ONGC	RIL	CAIRN
		2011	2011	2011	2011
5	Disclosure of :				
i	Definition of Independent Director	1	1	1	1
ii	Definition of Financial Expert	0	0	0	0
iii	Selection Criteria of Board of Directors incl. Independent directors	1	1	1	0
iv	Affirmation of compliance Board Committee	1	1	1	1

ANALYSIS

Clause 49 of listing agreement which applicable to all the listed companies irrespective of size of the company from 1st January 2006 has mandated that every listed company should have 50 percent of board consist of independent directors, if chairman of the board is executive and one-third board members should be independent in case the chairman is non- executive (Prof.Sanjay P. S. Desai & Dr. I Bhanumurthy) All the companies except Cairns India have complied with the disclosure requirement of the clause 49. None of the company have defined "financial expert" in their report. (9)

TABLE 7: POST BOARD MEETING FOLLOW UP SYSTEM AND COMPLIANCE OF THE BOARD PROCEDURES

No	Governance Parameters	IOCL	ONGC	RIL	CAIRN
		2011	2011	2011	2011
6	Post Board meeting follow up system and compliance of the board procedures	2	2	2	1

ANALYSIS

All the companies have a well structured mechanism for "Post Board meeting follow up system and compliance of the board procedures", except Cairns, as it does disclose its procedures clearly.

TABLE 8: APPOINTMENT OF LEAD INDEPENDENT DIRECTOR

No	Governance Parameters	IOCL	ONGC	RIL	CAIRN
		2011	2011	2011	2011
7	Appointment of lead independent director	0	0	2	0

ANALYSIS

Khaled Samaha (2010) In view of Agency theory, states" that the presence of non-executive directors in the board of the firms and their supervisory performance as independent individuals, remarkably contribute the declined conflicts of interests existing between shareholders and directors of the firm". (7) RIL is the only company that has specifically mentioned about its appointment of lead independent director. Rest of the companies has not scored at all in this parameter.

TABLE 9: DISCLOSURE OF OTHER PROVISION AS TO THE BOARDS AND COMMITTEES

No	Governance Parameters	IOCL	ONGC	RIL	CAIRN
		2011	2011	2011	2011
8	Disclosure of other provision as to the boards and committees	1	1	1	1

ANALYSIS

Companies under research i.e., IOCL, ONGC RIL & Cairn India follows the disclosure practices of other provisions as to the boards and committees as per mentioned parameter and thus have scored 1 against weightage of 1 point score.

TABLE 10: DISCLOSURE OF REMUNERATION POLICY & REMUNERATION OF DIRECTORS

No	Governance Parameters	IOCL	ONGC	RIL	CAIRN
		2011	2011	2011	2011
9	Disclosure of				
i	Remuneration Policy	1	1	1	1
ii	Remuneration of Directors	1	1	1	1

ANALYSIS

For current study the corporate governance report of each of the company has clearly laid down the norms of the remuneration of its directors.

TABLE 11: CODE OF CONDUCT

No	Governance Parameters	IOCL	ONGC	RIL	CAIRN
		2011	2011	2011	2011
10	Code of Conduct				
i	Information on Code of Conduct	1	1	1	1
ii	Affirmation of compliance Board Committee	1	1	1	1

ANALYSIS

Scott Carson, Mark Baetz, Shelley McGill (2008) describes the codes as Value statements, whether they express preferences or moral requirements, are based on a broader conception of what is right and wrong. Ideally, code items should be very specific and value-based (Robin et al., 1989) (10). In current research study the companies have stated their Code Of Conduct in their Corporate Governance Report and the compliance of the Board Committee for the same. (10)

BOARD COMMITTEES

Naspers (2010) states "the whole board remains accountable for the performance and affairs of the company, it delegates certain functions to subcommittees and management to assist in discharging its duties. Appropriate structures for those delegations are in place, accompanied by monitoring and reporting systems. Each subcommittee acts within agreed, written terms of reference. The chair of each subcommittee reports at each scheduled board meeting "(17). As per the disclosure in Annual Report the study shows that the various committee formed by the board play a very significant role in the control and adherence of corporate governance.

TABLE 12 (A): AUDIT COMMITTEE

No	Governance Parameters	IOCL 2011	ONGC 2011	RIL 2011	CAIRN 2011
11	Board committee				
A	Audit Committee				
I	Transparency in composition of audit committee	1	1	1	1
II	Compliance of minimum requirement of the number of independent directors in the committee	1	1	1	1
III	Compliance of minimum requirement of the number of meetings of the committee.	1	1	1	1
IV	Information about literacy & expertise of committee members.	1	1	1	1
V	Information about participation of head of finance, statutory auditor and chief internal auditor in the committee meeting	2	2	2	1
VI	Disclosure of audit committee charter and terms of reference	1	1	1	1
VII	Publishing of audit committee report	1	1	1	1

ANALYSIS

It is one of the most important committee of a company. With regard to audit committee meeting Clause 49 mandates that company audit committee should meet once in a quarter to review the quarterly results. All the companies have adhered to this norm. All have scored well in the above parameters, except Cairns because it has not specified whether the statutory auditor have participated in the meeting or not.

TABLE 12 (B): REMUNERATION COMMITTEE

No	Governance Parameters	IOCL 2011	ONGC 2011	RIL 2011	CAIRN 2011
11	Board committee				
B	Remuneration / Compensation Committee				
I	Formation of the committee	1	1	1	1
II	Information about number of committee meetings	1	1	1	1
III	Compliance of minimum requirement of number of non-executive directors in the committee.	1	0	1	1
IV	Compliance of the provision of independent director as a chairman of the committee.	1	0	1	1
V	Information about participation of all members in the committee meeting	1	1	1	1
VI	Publishing of committee report	1	1	1	1

ANALYSIS

The remuneration committee of each company is well formed. The remuneration details of the directors' have also been provided. ONGC is facing a problem related to minimum requirement of directors, as stated earlier in the report, which is reflected in this committee as well. Rest all the companies have complied with the norm.

TABLE 12 (C): SHAREHOLDERS' / INVESTOR'S GRIEVANCE COMMITTEE

No	Governance Parameters	IOCL 2011	ONGC 2011	RIL 2011	CAIRN 2011
11	Board committee				
C	Shareholders' / Investors Grievance Committee				
I	Transparency in Composition of the committee	1	1	1	1
II	Information about nature of complaints & queries received and disposed -item wise.	0.5	1	1	1
III	Information about number of committee meetings	1	1	1	1
IV	information about action taken and investors/shareholders survey.	0.5	1	1	1
V	publishing of committee report	0	1	1	0

ANALYSIS

Clause 49 of listing agreement mandates that "every company should have a board committee under the chairmanship of a non-executive director to specifically look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. It has been observed that all the companies have this committee". IOCL scores low on this parameter because it does not provide details about the complaints received in category wise and the action taken to resolve the same. Moreover IOCL & Cairns have not disclosed about the reports being published or not.

TABLE 12 (D): NOMINATION COMMITTEE

No	Governance Parameters	IOCL 2011	ONGC 2011	RIL 2011	CAIRN 2011
D	Nomination Committee				
i)	Formation of the Committee	0	0	1	1
ii)	Publishing of committee charter and report	0	0	0	0

ANALYSIS

Alan Gutterman (2010) states "the responsibilities of the committee should be explicitly spelled out in the charter or a board resolution that is included in the company's proxy statement and posted on the company's website inclusive of recommending nominees to the board and its committees as well as monitoring and safeguarding the independence of the board and developing and recommending a set of corporate governance principles to the board". (2) as per current study Only RIL & Cairns have formed this committee. No disclosures made regarding the reports of the committee being published.

TABLE 12 (E): OTHER COMMITTEES

No	Governance Parameters	IOCL 2011	ONGC 2011	RIL 2011	CAIRN 2011
E	Health, Safety and Environment Committee	1	1	1	0
F	Ethics and Compliance Committee	0	1	0	1
G	Investment Committee	0	0	1	0
H	Share Transfer Committee	1	1	1	1

ANALYSIS

These are the committees that enhance the working of the corporate governance of a company. In Oil & Gas companies, health & safety is a priority. It is observed that except Cairns, all the other companies have Health, Safety and Environment Committee. Investment Committee is formed only in RIL. On the other hand, "Share Transfer Committee" is a part of each of the company. It is also observed that Ethics Committee is formed only in ONGC & Cairn. In this industry, the safety committee should be made mandatory by the law.

TABLE 13: DISCLOSURE AND TRANSPARENCY

No	Governance Parameters	IOCL 2011	ONGC 2011	RIL 2011	CAIRN 2011
12	Disclosure and Transparency				
A	Significant related party transactions having potential with the interest of the company conflicts.	2	2	2	1
B	Non Compliance related to capital market matters during last three years.	2	2	2	1
C	Accounting treatment	2	2	2	2
D	Board Disclosure - Risk Management				
	i) Information to the board on Risk Management	2	2	0	0
	ii) Publishing of Risk Management Report	0	0	0	0
E	Management Discussion and Analysis	2	2	2	2
F	Shareholders' Information				
	i) Appointment of new director / re appointment of existing director.	1	1	1	2
	ii) Quarterly results and Presentation	1	1	1	2
	iii) Share Transfers	1	1	1	1
	iv) Directors Responsibility Statement	1	1	1	1
G	Shareholder Rights	1	2	2	1
H	Audit Qualification	2	2	2	2
I	Training of Board Members	2	2	2	2
J	Evaluation of Non-Executive Directors	0	2	0	2
K	Whistle Blower Policy	2	2	2	2

ANALYSIS

The above mentioned parameters enhance the transparency of the company in various matters related to the shareholder. ONGC scores the highest in this parameter while RIL scores the lowest. The reason being that it does not have a separate cell for Risk Management and does not carry out evaluation of non-executive directors.

TABLE 14: GENERAL BODY MEETINGS

No	Governance Parameters	IOCL 2011	ONGC 2011	RIL 2011	CAIRN 2011
13	General Body Meetings				
i	Location and time of general meetings held in last three years	1	1	1	1
ii	Details of Special Resolution passed in last three AGMs \EGM'S	1	1	1	1
iii	Details of resolution passed last year through postal ballot incl. conducting official and voting process.	1	1	1	1

ANALYSIS

Clause 49 of listing agreement stipulates that every company board should meet minimum 4 times in a year to approve the quarterly results. All the companies have followed these statutory requirements.

TABLE 15: MEANS OF COMMUNICATION AND GENERAL SHAREHOLDER INFORMATION

No	Governance Parameters	IOCL 2011	ONGC 2011	RIL 2011	CAIRN 2011
14	Means of communication and General shareholder information.	2	2	2	2

ANALYSIS

All the companies have disclosed their means of communication and General shareholder information in their corporate governance reports as per annual reports year ending 2011.

TABLE 16: CEO / CFO CERTIFICATION

No	Governance Parameters	IOCL 2011	ONGC 2011	RIL 2011	CAIRN 2011
15	CEO / CFO Certification	2	2	2	2

ANALYSIS

Clause 49 states that The CEO, i.e. "the Managing Director or Manager appointed in terms of the Companies Act, 1956 and the CFO i.e. the whole-time Finance Director or any other person heading the finance function discharging that function shall certify to the Board that: They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies"(11). Research observes that all the 4 companies have complied with the CEO/CFO certification as per the clause.

TABLE 17: COMPLIANCE OF CORPORATE GOVERNANCE AND AUDITORS' CERTIFICATE

No	Governance Parameters	IOCL 2011	ONGC 2011	RIL 2011	CAIRN 2011
16	Compliance of Corporate Governance and Auditors' Certificate.				
i	Clean Certificate from Auditor	5	5	5	5
ii	Qualified Certificate from auditors	5	5	5	5

ANALYSIS

Clause 49 mentions the role of audit committee as to provide oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible. Here It is observed that all the companies have complied with the Corporate Governance & Auditor's Certificate. (11)

TABLE 18: DISCLOSURE OF STAKEHOLDERS' INTERESTS :

No	Governance Parameters	IOCL	ONGC	RIL	CAIRN
17	Disclosure of Stakeholders' interests :				
i	Environment, Health & Safety Measures (EHS)	1	2	2	1
ii	Human Resource Development Initiative (HRD)	1	2	2	1
iii	Corporate Social Responsibility (CSR)	2	2	2	1
iv	Industrial Relation (IR)	1	0	2	1
v	Disclosure of policies on EHS, HRD, CSR & IR	0	1	1	0

ANALYSIS

In the above mentioned parameters, RIL have scored maximum because it has disclosed all measures in brief in its Annual Report except for the policies which are not clearly stated. IOCL & CAIRNS have not disclosed any of the policies.

FINDINGS AND ANALYSIS: EVALUATION OF GOVERNANCE STANDARDS

With respect to disclosures made in the annual reports by respective listed companies as well as corporate governance norms been followed being analyzed with the base of difference parameters of study, the companies are being ranked Excellent , Very Good , Good, Average or Below Average as per the scores calculated on the bases of score card table. As discussed earlier regarding the importance of scorecard with varied level of weight age to difference parameters are analyzed and summarized as to come to the conclusion of comparative analysis of study between four companies under research.

TABLE 19: EVALUATION OF GOVERNANCE STANDARDS

Score Range	Rank
86 – 100	Excellent
71 – 85	Very Good
56 – 70	Good
41 – 55	Average
Below 41	Below Average

Study reveals that there exists difference as to adherence to corporate governance norms as to practice & disclosure. We found that different parameters are given importance by companies as per level of Market capitalization and working laws pertaining to the industry. There is exists inconsistency in relationship between regulatory compliance of corporate governance parameters and respective growth of companies. According to Clause 49 respective weight age have been provided for varied parameters in the score card but being a issue of regulatory policy, varied score cards and regulatory bodies strives to adhere to the principles provided by OECD and other proved governance models across countries.

From the above analysis, it can be concluded that with implementation of Clause 49 of listing agreement companies started corporate disclosure practices in more systematic manner. From this study it is observed that Corporate governance and disclosure practices followed by companies are very good with exception one or two parameters. Cairns also follow a good disclosure practice but it lacks in terms of safety norms disclosures. RIL and ONGC is the top scorer among all the selected companies scoring 87 % (Excellent) and 83% (Very Good) points as per disclosures in Annual Reports ranking 1 and 2. IOCL and CAIRN India adhering to norms of clause 49 of listing agreement with the scores 78% (Very Good) and 74% (Very Good) with 3rd and 4th Rank as per Score Card method.

RECOMMENDATIONS AND SUGGESTIONS

After this study, we would like to give the following suggestion regarding the disclosures of the company

- The norms related to disclosure of qualification, age & tenure of the directors should be mandatory and more narrative.
- The companies should also include Value Based Management parameters like EVA, MVA, and Balance Scorecard ,Brand valuation, Balance sheet including intangible assets, Economic Value-Added (EVA®) statement, Intangible asset scorecard, Risk management report, Human resource accounting etc in their reports as they enhance the value of shareholder's wealth and minimize the occurrence of Agency problems.
- The rules regarding the disclosures should be amended on regular basis in accordance with the need of the changing economies of the world.
- A well defined structure of punitive actions required to be taken in case of non adherence should be developed.

FUTURE RESEARCH DIRECTIONS

Further research study can be conducted as to study the correlation between corporate governance and fund flow, corporate governance adherence and FDI, corporate governance and subscription to Public issues, corporate governance and probable premium as to IPO pricing with cross comparison with EVA model and Risk Management for better insights into the perspectives of Investors and guidance to regulatory bodies.

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Co-ordinator

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals

