



ROLE OF CORPORATE GOVERNANCE

DIVYARAJ SINH ZALA

PhD SCHOLAR, Saurashtra University, Rajkot, Mobile no.:9904050246

Email id: divyarajsinh23zala@gmail.com

ABSTRACT

Corporate Governance is related with corporate entities. Business people and also general people expect that company following ethics and effective corporate governance. Corporate Governance is playing an important role in organization in an effective manner. Corporate Governance is a process or a set of systems and processes to ensure that company is managed to suit the best interest of all stakeholder. The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long term success of the company. The further details of this topic are outlined and examined in this research paper.

Key words: **CORPORATE GOVERNANCE, ETHICS, LETTER AND SPIRIT**

INTRODUCTION:

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing interest of a company's many stakeholders, management, customer, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

Corporate Governance is the application of best management practices, compliance of law in letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for suitable development of all stakeholders. Corporate governance rests with the vision and perception of the leadership and a leader need to adopt a vision for corporate governance. Corporate governance is not merely about enacting legislation, it is about establishing a climate of trust and confidence. Ethical business behavior and fairness cannot be legislated. Strengthening corporate governance is fundamentally a political, social, cultural process in which governance and the private sector have to synergies. Corporate governance extends beyond corporate laws. Its fundamental objective is not merely fulfillment of requirement of law ensuring commitment of the board to transparency in managing the company, modernizing long term shareholder value.

Corporate Governance is about the nitty-gritty of how a company fulfills its obligations to investors and other stakeholders. It is about commitment to values and ethical business conduct and a high degree of transparency. Corporate Governance is the system by which companies are directed and controlled. It specifies the distribution of rights and responsibilities among different participants in the

corporation such as, the board, managers, shareholders, and spell out the rules and procedures for making decisions on corporate affairs. Corporate governance provides a structure through which the objectives of the company are set and achieved. So after considering all we can definitely said that-

“Corporate Governance is the application of best management practices.”

ROLE OF CORPORATE GOVERNANCE:

The following roles are:

- 1. Role of Corporate governance to indicate best management practices in an organization:** Corporate Governance is the application of best management practices, compliance of law in letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for suitable development of all stakeholders.
- 2. Role of Corporate governance to provide transparency:** Corporate governance is not merely about enacting legislation, it is about establishing a climate of trust and confidence. So, we can say that corporate governance also helpful to provides transparency.
- 3. Role of Corporate governance to provide a vision for best corporate governance practices:** By adopting corporate governance any organization can play an important role and having a very significant vision for achieved objectives of the organization.
- 4. Role of Corporate governance is set of all principles and ethical standard for effective management:** Ethical business behavior and fairness cannot be legislated. Strengthening corporate governance is fundamentally a political, social, cultural process in which governance and the private sector have to synergies. Corporate governance extends beyond corporate laws.
- 5. Role of Corporate governance to manage business environment:** Management environment includes setting-up of clear objectives and appropriate ethical framework, establishing due processes, providing for transparency and accountability, implementing sound business planning, encouraging business risk assessment, having right people and right skill for the jobs establishing performance evaluation measures and evaluating performance and sufficiently recognizing individual and group contribution.

MEANING OF CORPORATE GOVERNANCE:

“Corporate Governance is the application of best management practices, compliance of law in letter and spirit and adherence to ethical standard for effective management and distribution of wealth and discharge of social responsibility for sustainable

development of all stakeholders. Corporate Governance rests with the vision and perception of the leadership and a leader need to adopt a vision for corporate governance.”

REVIEW OF LITERATURE:

Reviews of literature of the study are stated below:

THE WALL STREET JOURNAL: Having a common governance framework can play an important role in helping boards gain a better understanding of their oversight role. The framework should have attributes that contribute to effective governance and tools for addressing governance risk. A framework also provides a more cogent construct for evaluating how management’s responsibilities fit with the board’s oversight responsibilities. So, the role of corporate governance is explained in an effective manner. In which also four attributes that help assess the board’s performance level and put the framework into action. A board can use these attributes to help identify its strengths and opportunities for improvement within each of the governance elements:

- Skills and knowledge
- Process
- Information
- Behavior

BIZFLUENT.COM: It indicates the role of corporate governance is playing effectively in strategic decision making in the interest of those with a stake in successful outcomes. Boards have increasingly become more focused on corporate shareholders, but a shift may be beginning to occur. The interest of stakeholders, such as customers, potential customers impacted by decisions of a company, may begin to get attention as corporate governance plays an increasingly strategic role.

BUSINEESS ROUND TABLE.COM: Corporate governance in which corporations are governed by three principal groups:

- The board of directors
- Management
- Shareholders

The relationship and allocation of powers among these groups are defined primarily by state corporate law and corporation’s charter and bylaws. So the roles of corporate governance are explained in an effective way.

ICSI.EDU: Corporate governance is playing an effective role in the context of organization. The role of corporate governance is also becomes helpful in achieving the objectives of the organization. It also explain role of corporate governance in below contained points:

- Transparency

- Accountability
- Control
- Trusteeship
- Ethics

GSTF INTERNATIONAL JOURNAL ON BUSINESS REVIEW(GBR): In which the role of corporate governance is explained in an effective way. Corporate Governance is the foundation of the company relations with other interested groups. Also in this article it is explained that the role of corporate governance is important by using different theories like agency theory, transaction cost theory, stakeholder theory etc. At small level corporate governance considers achievement to company's goals, and at large level it considers optimal devotion of the society interests. Corporate governance includes a set of control mechanism in and out of the company that suitability adjust stockholders rights at one hands and the needs and the options of the board of the managers at the other hands. Finally, this mechanism provides a useful guarantee for stakeholders, financial resources providers as well as other stakeholder in relation with their interests' maintenance.

TITLE OF THE STUDY:

After going through existing literature in the library, researchers has selected topic as under:

“ROLE OF CORPORATE GOVERNANCE”

OBJECTIVES OF THE STUDY:

The main objectives of the study are stated below:

1. To indicate the role of corporate governance in an effective way.
2. To provide direction to the company and organization towards Corporate Governance.
3. It also provides a vision for best corporate governance practices.
4. It also indicates commitment to values and a high degree of transparency.

GAP ANALYSIS:

On the basis of evaluation of literature and objectives, researcher found the gap in this area. After considering a few research have been taken for the study, researcher is found following gap:

1. The roles of corporate governance have been significantly changed and yet it was not studied.
2. Ethics and values differ between company and its employees.

RESEARCH METHODOLOGY:

Researcher analyzed all the data based on secondary data. The specifics of data collection, and the methods applied to empirically assess the proposed framework are

described. The sample consists of top ten BSE listed companies (In Market Cap) in the year of 2017. Data was obtained from the Annual Reports of the companies available on the websites of the companies.

FINDINGS OF THE STUDY:

The following findings are:

COMPANY	TRANSPARENCY	ACCOUNTABILITY	CONTROL	ETHICS
RELIANCE INDUSTRIES	✓	✓	✓	✓
TCS	✓	✓	✓	✓
HDFC BANK	✓	✓	✓	✓
ITC	✓	✓	✓	✓
HDFC	✓	✓	✓	✓
HINDUSTAN UNILEVER	✓	✓	✓	✓
SBI	✓	✓	✓	✓
MARUTI SUZUKI INDIA	✓	✓	✓	✓
IOC	✓	✓	✓	✓
INFOSYS	✓	✓	✓	✓
% WISE	100%	100%	100%	100%

DATA ANALYSIS:

Based on the above contained table, consists of top ten BSE listed companies (In Market Cap) in the year of 2017, here which all these companies are related with role of corporate governance in terms of four factors like transparency, accountability, control, ethics etc. Based on the annual report all the analysis done and we can say that these companies are following the role of corporate governance in very well manner and in terms of percentage wise i.e. 100%.

LIMITATIONS OF THE STUDY:

The following limitations are:

- 1) Limitation of secondary data will remain with the study of the role of corporate governance.
- 2) The study was limited to reflect the role of corporate governance.

3) Perception and understanding of directors and employees regarding corporate governance may be different.

CONCLUSION:

To sum up, concluding whole things we can say that corporate governance provides a vision for best corporate governance practices. Corporate governance is set of all principles and ethical standard for effective management. Corporate governance provides a vision for an organization to follow with true letter and spirit and further we can say that-

“Corporate governance is the application of law in letter and spirit and adherence to ethical standards.”

REFERENCES:

- **Book Reference, Magazine and journals, circulars**
 - THE WALL STREET JOURNAL: THE ROLE AND BENEFITS OF CORPORATE GOVERNANCE FRAMEWORK
 - CHARTERED SECRETARY: THE JOURNAL FOR CORPORATE PROFESSIONALS (VOL- 47, ISSUE NO.5)
 - CHAKRABARTI, R., MEGGINSON, W. AND YADAV, P. K. (2008), “CORPORATE GOVERNANCE IN INDIA”
 - CORPORATE GOVERNANCE – IICA, TAXMANN
 - GSTF INTERNATIONAL JOURNAL ON BUSINESS REVIEW(GBR): ROLE OF CORPORATE GOVERNANCE IN ORGANISATION
 - KAMESAM, V. (2006), “CORPORATE BEST PRACTICES: RECOMMENDATIONS FOR DIRECTORS”: IRDA JOURNAL

- **Web Reference**
 - www.icsi.edu
 - www.icaew.com
 - www.investopedia.com
 - www.bizfluent.com
 - www.businessroundtable.com
 - www.bseindia.com