Corporate Governance in India: An Impression
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Abstract
Corporate Governance is the interaction between various participants (shareholders, board of directors, and company’s management) in shaping corporation’s performance and the way it is proceeding towards. The relationship between the owners and the managers in an organization must be healthy and there should be no conflict between the two. The owners must see that individual’s actual performance is according to the standard performance. These dimensions of corporate governance should not be overlooked. Corporate Governance deals with the manner the providers of finance guarantee themselves of getting a fair return on their investment. Corporate Governance clearly distinguishes between the owners and the managers. The managers are the deciding authority. In modern corporations, the functions tasks of owners and managers should be clearly defined, rather, harmonizing. Globalization are significant factors urging corporate governance. Corporate Governance is essential to develop added value to the stakeholders. Corporate Governance ensures transparency which ensures strong and balanced economic development. This also ensures that the interests of all shareholders (majority as well as minority shareholders) are safeguarded. It ensures that all shareholders fully exercise their rights and that the organization fully recognizes their rights. Corporate Governance has a broad scope. It includes both social and institutional aspects. Corporate Governance encourages a trustworthy, moral, as well as ethical environment.

I. Introduction
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 ensures Commitment to values and ethical conduct of business; Transparency in business transactions; Statutory and legal compliance; adequate disclosures and Effective decision-making to achieve corporate objectives. In other words, Corporate Governance is about promoting corporate fairness, transparency and accountability.

II. Objectives
1. To Study Corporate Governance practices and fundamentals in India
2. To Examine Corporate Governance Issues and Mechanisms to control.

A. Research Methodology
The study is completely based on the primary and secondary data which is taken from various corporate Governance Experts, Directors and Executives from the Board of the Companies, Journals relating to governance and from the help of various search engines from the Web.

III. Literature Review

A. Corporate Governance and Business Ethics Nic Terblanche, Leyland Pitt, Deon Nel, Asa Wallstrom
This study analyses the ethics policies of the world’s four largest oil companies, as communicated on their websites, using the Leximancer approach. The text contained in the ethics policies of these firms was used in a content analysis and then mapped. This article illustrates a powerful, but simple and relatively inexpensive way for executives and corporate governance scholars to examine ethics policies, particularly as they are communicated online. The intent is to demonstrate a research and analysis method. The major contribution of this study is the use of a new research approach and set of tools that ethics researchers, policy makers and managers can exploit. The technique is easy to use, and the results are similarly straightforward to interpret.

IV. Corporate Governance and its Implications for Executive Compensation

A. James McConvill
As a result of a series of high-profile corporate collapses worldwide, along with regular reporting of shareholder money being spent on corporate jets, executive golf days and increasingly excessive executive compensation arrangements, the common perception is that the executives of our largest corporations are driven by self-interest with little regard for what is best for the corporation. Due to this negative perception, there has been an exponential increase in the amount of laws, rules and guidelines setting in place a heightened standard of corporate governance best practice. Without such regulation, it is believed, another collapse or scandal is inevitable. In this article, I dispute this reasoning. In my view if we embrace “positive corporate governance”, in which the positive strengths and virtues of company executives are emphasized, we can move towards an environment in which heavy regulation is replaced by positive corporate norms inside the corporation. I then apply my approach of positive corporate governance to address one of the most significant issues confronting corporate regulation at present- how to deal with the rapid increase in executive compensation in our largest corporations. I suggest that the dominant methodology of pay for performance is ultimately flawed.

B. Good Corporate
Governance is simply Good Business Corporate governance is a set of rules that define the relationship between stakeholders, management, and board of directors of a company and influence how that company is operating. At its most basic level, corporate governance deals with issues that result from the separation of ownership and control. But corporate governance goes beyond simply establishing a clear relationship between shareholders and managers.
To understand what would constitute good corporate governance for your organization, it helps to understand what corporate governance is from a fundamental level.
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. 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 most fundamental definition for corporate governance is based on the idea that an organisation is essentially a nexus of contractual agreements between many parties for the purpose of achieving the organisation’s objectives. These parties include shareholders, directors, managers, suppliers, employees, customers, financiers, government authorities, other stakeholders and the society in which the company operates. Whilst some of these contractual agreements are formal written ones, many are implicit. Likewise, some of these contractual agreements are financially based but many are not.

V. Concept and Objectives of Corporate Governance

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. 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. 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.

VI. Issues in Corporate Governance

1. Asymmetry of power
2. Asymmetry of information Interests of shareholders as residual owners.
3. Role of owner management Theory of separation of powers.
4. Division of corporate pie among stakeholders.

VII. Current status on corporate governance

1. Insistence on forms and structures
2. Overarching regulations
3. Regulator overkill
4. Lack of adequate number of strong, independent directors
5. Large liabilities for companies and officers

Corporate Governance deals with the manner the providers of finance guarantee themselves of getting a fair return on their investment. Corporate Governance clearly distinguishes between the owners and the managers. The managers are the deciding authority. In modern corporations, the functions/ tasks of owners and managers should be clearly defined, rather, harmonizing. Corporate Governance deals with determining ways to take effective strategic decisions. It gives ultimate authority and complete responsibility to the Board of Directors. In today’s market- oriented economy, the need for corporate governance arises..

VIII. Benefits of Corporate Governance

1. Good corporate governance ensures corporate success and economic growth.
2. Strong corporate governance maintains investors’ confidence, as a result of which, company can raise capital efficiently and effectively.
3. It lowers the capital cost.
4. There is a positive impact on the share price.
5. It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.
6. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.
7. It helps in brand formation and development.
8. It ensures organization in managed in a manner that suits the best interests of all.

IX. Conclusion

Corporate governance philosophies differ around the world.
However, with a few relatively minor exceptions, there exists a broad consensus on the elements of good corporate governance. It is widely understood that the most effective aspects of good corporate governance include:

- A strong board of directors, independent of management and with sufficient expertise to oversee corporate management on behalf of the company’s shareholders;
- Management compensation oversight, such as a compensation committee comprised of independent directors, to prevent opportunistic behaviour by management and help link management compensation to corporate performance;
- Strong corporation laws and regulations designed to protect the rights of shareholders;
- Extensive public disclosure requirements, including both financial and non-financial reporting designed to give shareholders and potential investors an accurate, timely and thorough picture of the company’s performance and liabilities; and
- A robust independent audit function, with sufficiently thorough procedures to confirm the accuracy of a public company’s financial disclosure statements and overseen by a board committee ongoing basis, not just when a major scandal arises. Likewise, corporate compliance officers must have the powers they need to ensure that all corporate employees (including senior management) comply with the law and abide by the company’s internal corporate governance requirements. Other corporate governance ‘gatekeepers’ – such as lawyers and outside auditors – must be bound by a strong code of ethics and abide by the laws and professional requirements which apply to their profession. Without such aggressive overlapping enforcement mechanisms, even the best corporate governance standards can be undermined.

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