

A Study Of Corporate Governance Practices and Its Improvement Corporate Performance in Bihar IT Organisations

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Abstract:

“The phrase “corporate governance” is a made from two words – ‘Corporate + Governance’, so ‘Corporate’ which is associated with corporation and ‘governance’ which means ‘control’. Thus, corporate governance means set of rules and regulations, which can exercise control over the corporations”. Good Governance is a basic device for making due in the capital market and is a fundamental instrument of financial backer security. The blood fills the vein of straightforward corporate revelation and great bookkeeping rehearses. The muscle moves a suitable open monetary detailing structure. The Indian IT area according to the standards/rules of SEBI statement 49 for example worry with the mandatory and non-mandatory requirements. Consequently, in this paper endeavor has been made to assess the condition of compliance of key governance boundaries in selected IT companies in Patna, Bihar.

Keywords: *SEBI Clause 49, Listing Agreement basis on mandatory and non-mandatory requirements.*

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Introduction:

Over the course of the past ten years, corporate governance has ascended in unmistakable quality as the job of the IT area has expanded all over the world. On the other hand, it assumes a focal part in molding the lawful, institutional, and governance environment inside which individual corporate governance frameworks are created, the primary obligation lies with the IT Sector in Patna. More corporate governance is important to check cheats committed by the administration. The Indian recorded IT organizations comprise a significant pool of capitalization and a significant fragment of the economy specifically, the capital market in India. Good Corporate Governance would assist with keeping up with the certainty of financial investors. Subsequently, not just simply by complying with the guidelines on corporate governance an organization can add to the riches and strength of the financial investor and society yet additionally by adhering to the standards of morals and self-control. As indicated by the “Cadbury panel on monetary parts of CG, corporate governance is the framework by which organizations are coordinated and controlled. The top managerial staff is liable for the administration of the organization. The directors and the auditors are to fulfill themselves that a proper governance structure is set up”. In this way, the present study focused to assess the condition of compliance with key parameters of governance in selected IT companies based on the standards/rules of “SEBI Clause 49 (Listing Agreement)” of the F.Y. 2015.

Review of Literature:

Vibha Mahajan sept.23, 2007 the study titled, “**Corporate Governance In India**” according to analysis of data the researcher concluded that, the role of regulators such as S”EBI and Stock exchange in corporate governance”. An attempt has been made to find out the growing importance of ethics, transparency and voluntary disclosure over the regulations.

Y.V.Reddy,&R.W.Rebell 2007 the study titled, “**Corporate Governance Under Clause 49**” the researcher attempts to identify and appreciate the relationship between corporate earnings, interest rate and market price. This study carried out on selected stocks which are actively traded on “National Stock Exchange”.

Anil Arora and Madan Singh:2007, the study titled, “**Trends In Corporate Governance**” according to analysis of data the researcher concluded that,the trends in corporate governance is the process carried out by the board of directors, and its related committees, on behalf of and for the benefit of the company’s stakeholders, to provide direction, authority, and oversights to management

Objectives of Study:

- To Study the “SEBI Clause -49 Corporate Governance – A listing agreement”.
- To study the Corporate Governance Practices in selected IT Companies, located in Patna, Bihar.

Methodology:

Scope and Collection of Data: Secondary data has been used for the analysis. The information was gathered from the “Annual Reports of the company for the year 2015”. “National stock exchange website (www.nseindia.com)”, Annual reports of the selected companies and newspapers’ report have been used for secondary data.

Sample size:TwoCompanies.

Sample List: TCS Ltd., and Wipro Ltd.

Year of the Study: 2015.

Study Requirements:SEBI Clause -49 A Listing Agreement.

SEBI Clause 49

As per the SEBI has revised clause 49 of the Listing Agreement pertaining to corporate governance vide circular dated October 29, 2004, based on the Report on Corporate Governance submitted by Narayana Murthy Committee. It is mandatory and non-mandatory requirements to publish corporate governance report as per Cluse-49 in their annual reports of every year are as follow:

The Report on Corporate Governance in the Annual Report of Companies

Mandatory requirements for corporate governance	Non-mandatory requirements for corporate governance, Clause-49 (VI)
1.1 A brief statement on company's philosophy on code of governance. 1.2 Board of Directors, Clause-49 (1) (A) <ul style="list-style-type: none"> • Composition and category of directors, for example, promoter, executive, non-executive, independent non-executive, nominee director, which institution represented as lender or as equity investor. • Attendance of each director at the Board meetings and the last AGM • Number of other Boards or Board Committees • Number of Board meetings held, dates on which held. 1.3 Audit Committee, Clause-49 (II) <ul style="list-style-type: none"> • Brief description of terms of reference • Composition, name of members and Chairperson • Meetings and attendance during the year 1.4 Remuneration Committee, Clause-49 (IV) <ul style="list-style-type: none"> • Brief description of terms of reference • Composition, name of members and Chairperson • Attendance during the year • Remuneration policy • Details of remuneration to all the directors, as per format in main report. 	2.1 The Board 2.2 Remuneration committee 2.3 Audit Qualification 2.4 Training of Board member 2.5 Whistle Blower Policy
1.5 Shareholders Committee, Clause-49 (IV) (G) <ul style="list-style-type: none"> • Name of non-executive director heading the committee • Name and designation of compliance officer • Number of shareholders' complaints received so far • Number not solved to the satisfaction of shareholders 1.6 General board meetings 1.7 Disclosures, Clause-49 (IV) 1.8 Means of communication 1.9 General shareholders information 1.10 CEO's certificate, Clause-49 (V)	

Discussion and Interpretation:

“TCS Ltd. believes in practicing the principles of good corporate governance as a means of effective protection and enhancement of shareholders’ value. The Company is a high Believer in moral values, ethics and transparency in its operations. and Wipro Ltd. philosophy is pursuit of excellence, growth and value creation. In addition to complying with the statutory requirements, effective governance systems and practices towards improving transparency, disclosures, internal control and promotion of ethics at work place have been institutionalized.philosophy on Corporate Governance is founded upon a rich legacy of fair and transparent governance practices. The Company’s activities are carried out in accordance with good corporate practices and the Company is constantly striving to make them better and adopt the best practices”.

Financial Year 2015

Clause-49 (1) (A) Composition of Board				
S.No.	Name of company	No. of Directors	Executive	Chairman
1	TCS ltd	7	1	NED*
2	Wipro ltd	8	2	ED**
				*Non-Executive Director
				**Executive Director

Clause-49 (1) (A) Board Procedure				
S.No.	Name of company	No. of meeting held	Time Gap	No. of directors attending the meeting
1	TCS Ltd.	6	Did Not Exceed Four Months Between Two Meetings	4 Directors have attended all & 2 Directors have only 4 & 3 meetings
2	Wipro Ltd.	7	Did Not Exceed Two Months Between Two Meetings	All Directors have attended all meetings

Clause-49 (II) Audit Committee				
S.No.	Name of company	No. of member	No. of meeting held	Time gap
1	TCS ltd	4	8	Did Not Exceed Four Months Between Two Meetings
2	Wipro ltd	6	5	Did Not Exceed Four Months Between Two Meetings

Clause-49 (IV) Remuneration Committee				
S.No.	Name of company	No. of member	No. of meeting held	Time gap
1	TCS ltd	3	2	N.D.
2	Wipro ltd	5	2	N.D.

Clause-49 (IV) (G) Shareholders' Grievance committee				
S.No.	Name of company	No. of member	No. of meeting held	Expedite of share transfer
1	TCS ltd	4	18	DEMAT
2	Wipro ltd	2	11	DEMAT/NSDL

Clause-49 (IV) (G) Shareholders' Grievance				
Name of company	Delegation of power share transfer	No. of shareholders complaints receive	No. of not solved to the satisfaction of shareholders	No. of pending share transfer
CMC ltd	Compliance officer	30	Nil	Nil
Financial Technology ltd	Compliance officer	61	Nil	Nil
Clause-49 (IV) (C) Risk Management Committee				
S.No.	Name of company	No. of member	No. of meeting held	Time gap
1	CMC ltd	2	2	N.D.*
2	Financial Technology ltd	N.D.	N.D.	N.D.
				*Not-Disclosed

Clause-49 (IV) Disclosure							
S.No.	Name of company	Basis of related party transaction	Board of Disclosures	Proceeds from public issues, Rights, Issues, preferential issue.	Remuneration of Directors	management	Share holders
1	TCS ltd	Yes	Yes	Yes	Yes	Yes	Yes
2	Wipro ltd	Yes	Yes	Yes	Yes	Yes	Yes
Clause-49 (VI) Non-mandatory Requirement							
S. No.	Name of company	The Board	Remuneration committee	Audit Qualification	Training of Board Member	Whistle Blower Policy	CEO's certificate
1	TCS ltd	Yes	Yes	Yes	Yes	Yes	Yes
2	Wipro ltd	Yes	Yes	Yes	Yes	Yes	Yes
(Source: Companies' Annual Report: 2015)							

On the basis of the above table, the following analysis to evaluate the state of compliance of key governance parameters in selected companies

1. **Composition of Board:** Both companies have disclosed about their Board Procedure.
2. **Board Procedures:** Both companies have disclosed about their Board Procedure.
3. **Audit committee:** Both companies have their Audit committee. As regards disclosure of audit committee held, all the companies have disclosed this fact.
4. **Remuneration committee:** Both companies have disclosed about their Remuneration committee.
5. **Shareholders' Grievance committee:** Both companies have disclosed about their Shareholders' Grievance committee.
6. **Risk Management Committee:** Both companies have disclosed about their Risk Management committee.
7. **Disclosures:** Both companies have disclosed about their Disclosures.
9. **Non-mandatory Requirement:** Both have disclosed about their Non-mandatory requirements.

Conclusion:

India has the biggest number of 'listed' companies worldwide, and the efficiency and prosperity of the 'financial' markets are basic for the economy specifically, and the general public overall. "Clause 49 of the Listing Agreement in India requires all Listed companies" to document each quarter a CG report, "mandatory and non-mandatory requirements of disclosures". It depends on the standards of respectability, decency, value, straightforwardness, responsibility, and obligation to values, and throughout the long term, administration cycles and frameworks have been fortified in the chosen organizations for example TCS Ltd. And Wipro Ltd.

Hence, it is obvious that there is still a few degree for development in the degree of corporate governance principles and nature of divulgements to be drilled in the organization. In any case,

a significant number of the region where the Organization needs to further develop its practices are normal to the majority of the other Indian firms.

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