

A Study to Identify Key Attributes of Corporate Governance from the Perspective of Professionals

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Abstract

Corporate governance should ensure and take accountability for the conduct of elections without any prejudice to any category of stakeholders. Corporate governance as a concept has been felt on account of the realization with respect to non-compliance of accounting standards with respect to financial reporting and accountability as exhibited by the board of directors corporates of different sizes and belonging to different sectors. The primary objective of this study is to identify the key attributes of corporate governance, the objectives of corporate governance and the various committees constituted with respect to corporate governance from the perspective of practicing professionals like chartered accountants and company secretaries.

Keywords: Corporate governance, key attributes, objectives, committees, professionals

I. INTRODUCTION

In the Indian context the concept of corporate governance has been initiated the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI). The step towards this direction has been introduced by SEB in the year 2000. Corporate governance is seen to be acceptance by top management of any corporate regarding the absolute rights of shareholders they being the true owners of every company and of their own role as trustees on behalf of the each and every shareholders who has stakes in the company. In short it refers to the way in which affairs of the company are managed so as to ensure that there is absolute fairness meted out to all categories of stakeholders who have vested interests in the company. It also requires to ensure that their actions prove beneficial to a large number of stakeholders. Hence it becomes indispensable for every management to ensure there is no asymmetry with respect to the benefits as reaped by the different types of shareholders, particularly so in the case of owner-managers and the rest of the shareholders.

II. REVIEW OF LITERATURE

Corporate governance should ensure and take accountability for the conduct of elections without any prejudice to any category of stakeholders. Lusaka, Zambia (2005) study highlights the fact that many business corporates in Asia are rather essentially devoid of transparency. SEC's corporate governance manual brought out in the year 2002 rightly stresses on the need to have transparency in the conduct of the affairs of business in order to be considered as good corporate governance practice. Apart from this it serves as a guide about how such transparency should be achieved and maintained. It has stress on three basic accounting standards which include being open, ensuring compliance and operating efficiency which could go a long way in building trust in the minds of investors at large. In this contest it may be noted that some very relevant and convergent arguments have been put forth by authors such as Ananchotikul, Nasha (2008), Black et. Al. (2003), Klapper and Love (2002) and Khanna et.. (2001) with respect to maintaining transparency.

III. NEED FOR THE STUDY

Corporate governance as a concept has been felt on account of the realization with respect to non-compliance of accounting standards with respect to financial reporting and accountability as exhibited by the board of directors corporates of different sizes and belonging to different sectors. Another alarming realization which has made Indian government to think seriously about corporate governance in the extent to which losses were inflicted on investors. To add to the above the collapse of internally renowned giants like Enron and Xerox made regulators realize the absence of good and transparent corporate governance practices leading to corruption and mismanagement of financials.

IV. OBJECTIVE OF THE STUDY

- To identify the key attributes of corporate governance.
- To know the objectives of corporate governance
- To know the various committees constituted with respect to corporate governance.

V. METHODOLOGY

The study is descriptive in nature and the tool used to collect primary data was a questionnaire. The respondents included for the study were both Chartered Accountants and Company Secretaries. The experience of the respondents was more than 10 years.

VI. ANALYSIS OF DATA

Table 1 : Designation Of Respondents

Type of Professional	Frequency	Percent
Chartered Accountant	51	63.2
Company Secretary	29	35.8
Total	80	100.0

It is obvious from the above that majority of the respondents covered by the study are chartered accountants by profession. 63.2% are chartered

accountants and only 35.8% are company secretaries.

Table 2 : Experience Of Respondents

Experience	Frequency	Percent
10 - 15 years	31	38.5
More than 15 years	49	60.5
Total	80	100.0

Taking into consideration the topic of the study only professionals with a rich experience were included as respondents. 38.5% have an experience which ranges from 10 – 15 years and the remaining have an experience of more than 15 years to their credit.

Table 3 : Mean And Sd Of Key Attributes Of Corporate Governance

Key attributes of Corporate Governance	Mean	SD
Transparency of Financial Statements	2.96	1.316
Ensuring ethical practices by companies	3.34	1.043
Protecting minority shareholders' rights	3.17	1.053
Adhering to legal compliance of governance	2.95	1.054
Ensuring shareholder value	3.42	1.100
Sound risk management practices	3.25	1.119

The most important key attribute of corporate governance as indicated by the professionals seem to be ensuring shareholder value followed by ensuring ethical practices by companies, sound risk management practices and protecting minority shareholders 'rights'. The least important key attributes are seem to be transparency of financial statements and adhering to legal compliance of governance.

Table 4 : Mean And Sd Of Objectives Of Corporate Governance

Objectives of Corporate Governance	Mean	SD
High level of disclosures	2.75	1.175
Shareholding pattern	2.98	1.067
Appropriate governance structure	3.96	0.987
Presence of a strong and independent Board of Directors	3.86	1.064
Adequate Committee Structure	3.71	1.033
Means of Communication	2.73	1.169

The most important objective of corporate governance as indicated by the professionals seem to be ensuring appropriate governance structure, presence of a strong and independent board of directors and adequate committee structure.

Table 5 : Mean And Sd Of Importance Of Various Committees Constituted With Respect To Corporate Governance

Committees	Mean	SD
Audit Committee	2.85	1.174
Remuneration Committee	2.87	1.067
Management Committee	3.91	.986
Investor's Grievance Committee	3.86	1.064
Fraud Management Committee	3.71	1.033
Risk Monitoring Committee	3.89	1.067

The above table makes it evident that the most important committees constituted with respect to corporate governance as per the opinion of practicing professionals seems to be management committee followed by risk monitoring committee, investors' grievances committee and fraud management committee. Least important committees are remuneration committee and audit committee.

Table 6 : Level Of Agreement On Key Attributes Of Corporate Governance

Level of agreement	Frequency	Percent
Low	20	24.8
Moderate	42	51.9
High	18	22.3
Total	80	100.0

Level of agreement with respect to key attributes influencing implementation of corporate governance is seen to be moderate by 51.9%, low by 24.8% and only 22.3% feel the same to be high.

Table 7 : Level Of Agreement On Objectives Of Corporate Governance

Level of agreement	Frequency	Percent
Low	28	34.7
Moderate	32	39.6

High	20	24.7
Total	80	100

Level of agreement with respect to objectives of corporate governance is seen to be moderate by 39.6%, low by 34.7% and only 24.7% feel the same to be high.

Table 8 : Level Of Agreement On The Importance Of Committee Constituted With Respect To Corporate Governance

Level of agreement	Frequency	Percent
Low	21	26.1
Moderate	42	52.9
High	17	21.0
Total	80	100.0

Level of agreement with committees constitute with respect to corporate governance is seen to be moderate by 52.9%, low by 26.1% and only 21.0% feel the same to be high.

Table 9 : Correlation Between The Various Key Attributes Of Corporate Governance

Key attributes	1	2	3	4	5	6
Transparency of Financial Statements	1.000	0.377**	0.663**	0.428**	0.596**	0.332**
Ensuring ethical Practices by companies		1.000	0.348**	0.287**	0.066	0.082**
Protecting minority shareholders' rights			1.000	0.512**	0.596**	0.424**
Adhering to legal compliance of governance				1.000	0.488*	0.421**
Ensuring shareholder value					1.000	0.306**
Sound risk management practices						1.000

** Denotes significance at 1% level.

The correlation coefficient between transparency of financial statements and protecting minority shareholders' rights is highest at 66.3%. The correlation coefficient between ensuring ethical practices by companies and protecting minority shareholder rights is highest at 34.8%. The correlation coefficient between protecting minority shareholder rights and ensuring shareholder value is highest at 59.6%. The correlation coefficient between adhering to legal compliance of governance

and ensuring shareholder value is highest at 4.8%. The correlation coefficient between ensuring shareholder value and sound risk management practices is seen to be 36%.

Table 10 : Correlation Between The Various Objectives Of Corporate Governance

Objectives of Corporate Governance	1	2	3	4	5	6
High level of disclosures	1	0.733**	0.691**	0.383**	0.267**	0.362**
Shareholding patterns		1	0.348**	0.487**	0.366**	0.482**
Appropriate governance structure			1	0.187*	0.514**	0.472**
Presence of a strong & independent Board				1	0.267**	0.209**
Adequate Committee Structure					1	0.162**
Means of Communication						1

** Denotes significant at 1% level

The correlation coefficient between high level of disclosure and shareholding pattern is highest at 73.3%. The correlation coefficient between shareholding pattern and appropriate governance structure is highest at 47.2%. The correlation coefficient between appropriate governance structure and presence of a strong and independent Board of Directors is seen to be highest at 51.4%. The correlation coefficient between presence of a strong and independent Board of Directors and adequate committee structure is highest at 26.7%. The correlation coefficient between adequate committee structure and means of communication is seen to be 16.2%.

VII. FINDINGS AND CONCLUSION

Respondents have indicated that the most important key attribute of corporate governance as indicated by the professionals seem to be ensuring shareholder value followed by ensuring ethical practices by companies, sound risk management practices and protecting minority shareholders' rights. The most important objectives of corporate governance are appropriate governance structure and presence of a strong and independent Board of Directors, The most important committees constituted with respect

to corporate governance as per the opinion of practicing professionals seems to be management committee followed by risk monitoring committee, investors' grievances committee and fraud management committee.

There is no doubt that investors and shareholders need to be protected with respect to their investments made in corporates. It is an open secret that in the absence of proper or adequate standards of financial reporting clubbed with lack of accountability they could be inflicted by huge losses by the management. This has been proved to be true of India especially in the case of large cap companies that have raised huge capital from market by showing higher market valuation for their scrips by projecting inflated positive financial performance resulting in reporting higher levels of false rates of profitability.

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