



Role of Corporate Governance in India

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Abstract

This paper provides a discussion on, and goes into length on, the need of corporate governance practises. The connection between effective risk management and sound corporate governance is strengthened as a result of this. It accomplishes all of this while keeping the current scenario in India in mind, and it has also conducted two case studies to further illustrate its argument. Within the scope of this paper, suggestions for enhancing corporate governance have been made. Many other suggestions have been made to revise the laws, rules, and regulations that are already in place in order to bring businesses into compliance with the practises of sound corporate governance.

Introduction

The verb “gubernate,” which means to steer, is where the English word “governance” comes from. The act of guiding a corporation along the intended path is what is meant by the term “corporate governance.” The governing board of the board of directors is the entity responsible for directing the company.

The term “corporation” means from the Latin word “corpus,” which literally translates to “body.” Corporate or a Corporation In the context of stakeholder expectations, governance means to the administration of procedures and systems that have been put in place. When taken as a whole, the term “Corporate Governance” refers to the collection of practises, rules, processes, and standards that a corporation establishes in order to guarantee that its relationships with its numerous stakeholders are maintained in an open and honest way.¹

There is no one universal definition that encompasses all instances of corporate governance. Some useful definitions are offered beneath for your better understanding:

“Corporate Governance is about promoting corporate fairness, transparency and accountability”.-
By James D. Wolfensohn (Ninth President World Bank)

“A system by which business Corporations are directed and controlled”-*By OECD*

¹Chiu, Iris H-Y, and Michael McKee. 2015. The Law on Corporate Governance in Banks. Edward Elgar Publishing.

“There is always a link between good governance and compliance with law. Good governance is not something that exists separately from the law and it is entirely inappropriate to unhinge governance from law.”-By King Report on Governance for South Africa 2009

“Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders.”-By Institute of Company Secretaries of India

A. Research Questions

With the use of this research paper, the following questions will be analysed, and questions will be answered for them:

- Analysis the need of having corporate governance despite the fact that it places a significant load on the organisation in terms of compliance.
- In what ways can the model of corporate governance be made in terms of taking an inclusive approach to the concerns of shareholders and ensuring adequate risk management?

B. Research Objectives

- To understand an interpretation and operation of corporate governance, as well as its role in India in relation to the burden of compliance.
- To analyse the need of corporate governance and determine how the compliance model may be balanced with the corporate governance structure.
- To understand an understanding of the relationship between risk management, shareholder rights, and corporate governance, and to analyse an analysis of this connection.

C. Research Methodology

The doctrinal research methodology was used in this study in order to get a more in-depth understanding of the idea of corporate governance and to conduct an in-depth analysis of the connection that exists between effective risk management and strong corporate governance. Researching and analysing the legal rules, doctrines, and principles that are relevant or linked to the issue might be aided by using the doctrinal technique of research. It would seem that the doctrinal form of research is the most appropriate form of research. Therefore, non-doctrinal or empirical methods of research have not been used in this form. The place to research that is being used will be of assistance in assessing the rules and regulations that are now in effect, and it will also make it easier to evaluate the significance of corporate governance. Additionally, some of the secondary sources that were used in the research provide a certain amount of empirical research data on the subject that was being investigated. Primary data resources have been referred to, including the Companies Act of 2013 and any revisions to that act, as well as the rules and regulations of the SEBI. The appropriate Law Committee Reports have also been used in place to understand an understanding of the benefits and drawbacks associated with the laws that are now in effect. For the purpose of gaining a deeper understanding of the importance of risk management committees, secondary data sources such as working research papers and

research articles written by jurists have been used. These publications do include some empirical research data to some amount.

D. Hypothesis

- **First hypothesis:** The first hypothesis to both proper corporate governance and the company's adherence to applicable regulations are essential to the expansion of a business.
- **Second hypothesis:** The second hypothesis to note is that there is a significant role that corporate governance plays in constructing stakeholder trust in the organisation.
- **Third hypothesis:** The third hypothesis is that the corporate governance contributes to the maintenance of an appropriate level of risk management.

Need for Corporate Governance

The establishment of a corporate culture that values openness, accountability, and disclosure necessitates the implementation of corporate governance. It refers to compliance with all of the moral and ethical ideals, the legal framework, and the practises that have been voluntarily chosen:

- a) **Corporate Performance:** Regardless of the nature of the firm or the sources of its funding, improved governance structures and procedures are essential for ensuring high-quality decision-making, fostering efficient succession planning for senior management positions, and boosting the long-term profitability of businesses. This may be tied up with an increase in the corporate performance of the company, whether measured in terms of the share price or the amount of profit it makes.
- b) **Enhanced Investor Trust:** When assessing potential companies in a company, investors place equal importance on its corporate governance as they do on its financial performance. When investors are offered high levels of openness and transparency, there is a greater chance that they will invest openly in the companies in question. According to a poll conducted by the consulting company McKinsey, worldwide institutional investors are willing to pay a premium of up to 40 percent for shares in companies that have superior corporate governance practises.
- c) **Better Access to Global Market:** Having effective corporate governance systems makes a company more appealing to investors from all over the world, which in turn leads to increased productivity in the financial industry.
- d) **Combating Corruption:** Companies that are transparent, and have sound systems that provide full disclosure of accounting and auditing procedures, allow transparency in all business transactions, and provide an environment where corruption is certainly less likely to occur, provide an environment where corruption can be eliminated. A firm is able to compete in the market more effectively thanks to effective corporate governance, which also helps prevent unethical business malpractices and fraud from inside the organisation.
- e) **Easy Finance from Institutions:** Monitoring the utilisation of capital has become more difficult as a result of a number of structural shifts, including the increased role of financial

intermediaries and institutional investors, the size of the enterprises, the investment options that are available to investors, the increased competition, and the increased risk exposure. This has made to an increase in the requirement for good corporate governance. There is mounting evidence that companies with strong governance are rewarded with better market prices. On the basis of the corporate governance practises that are implemented inside a company, the organization's worthiness may be trusted upon.

- f) **Enhancing Enterprise Valuation:** Enhanced management accountability and operational transparency not only fulfil the expectations of investors and boost their trust in management and corporations, but they also contribute to a rise in the value of such corporations.
- g) **Reduced Risk of Corporate Crisis and Scandals:** An efficient risk mitigation system is certain to be in place if there is effective corporate governance. A system that is both transparent and accountable makes the Board of Directors of a company aware of the majority of the mask risks associated with a particular strategy, which allows the Board to put various control systems in place to facilitate the monitoring of the issues that are related to the strategy.
- h) **Accountability:** The maintenance of strong relations with investors is a crucial component of sound corporate governance. The investment of increased value for the investors' investments is entrusted, either directly or indirectly, to the management of the company. In order for the company to continue to have positive relations with its investors, it is obligated to provide timely disclosures on a consistent basis to all of its shareholders. The climate that is created by good corporate governance practises makes it impossible for boards to disregard their responsibilities to the many stakeholders.

Corporate Governance Development in India

In India, the idea of good governance dates back to the third century B.C., when Chanakya (the Vazir of Parliputra) outlined the fourfold responsibilities of a king. These responsibilities were known as Raksha, Vriddhi, Palana, and Yogakshema. By replacing the king of the state with the CEO or board of directors of the company, the principles of corporate governance refer to protecting the wealth of the shareholders (Raksha), increasing the wealth through the efficient use of assets (Vriddhi), maintaining the wealth through profitable ventures (Palana), and most importantly, protecting the interests of the shareholders (Yogakshema or safeguard).² In India, corporate governance was not on the agenda of companies until the early 1990s, and prior to that time, one would not find much mention to this topic in books of law. In India, inefficiencies in the system, such as undesired stock market practises, boards of directors without proper fiduciary obligations, inadequate disclosure practises, a lack of transparency, and chronic capitalism, were all screaming out for changes and greater governance. The government was forced to take corrective efforts in order to achieve economic stability via liberalisation as a direct consequence of the budgetary crisis that occurred in 1991 and the subsequent necessity to seek assistance from

²“Corporate Governance in India and the UK Compared.” n.d. Grant Thornton UK LLP. Accessed June 9, 2018. <https://www.grantthornton.co.uk/en/insights/corporategovernance-in-india-and-the-uk-comparative-analysis/>.

the IMF. After the economy was forced to become more open and the liberalisation process was started in the early 1990s, there was a gradual but steady gathering of momentum. In 1999, as part of the process of liberalisation, the government modified the Companies Act, which was first passed in 1956. After then, other alterations were made in the years 2000, 2002, and 2003 subsequently. The most important corporate governance reforms to be implemented in India since the middle of the 1990s.³ The Security and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs, Government of India (MCA) both played major roles in the numerous reforms that were channelled via a number of different paths. There are a variety of reforms that were implemented as a result.

Committees on Corporate Governance

Following are few major committees which are working on reforming the Corporate Governance in India since 1990s:

1. **Confederation of Indian Industries (CII):** In 1995, the Confederation of Indian Industries appointed Rahul Bajaj, a well-reputed businessman, to lead a taskforce that was established within the organisation. In April of 1998, the CII released a code that was referred to as “Desirable Corporate Governance.” It investigated many areas of corporate governance and was the first organisation to voice opposition to nominee directors and recommend that the government reduce its ownership stake in different companies.
2. **Kumar Mangalam Birla Committee:** Despite the fact that the CII code was favourably embraced by the corporate sector and that certain progressive companies also adopted it, it was thought that under Indian circumstances a statutory code rather than a voluntary code would be more significant. Therefore, the second significant endeavour was undertaken out by the Securities and Exchange Board of India (SEBI), which established a committee in 1999 under the leadership of Kumar Mangalam Birla with the purpose of promoting and enhancing the standards of good corporate governance. At the beginning of the year 2000, the SEBI Board approved and validated the most important suggestions made by this committee, and soon after, Clause - 49 of the Listing Agreement for Stock Exchanges was revised to include these recommendations.⁴
3. **Department of Corporate Affairs (DCA):** A broad-based study group was established by the Department of Corporate Affairs (DCA) in May of 2000, and Dr. P.L. Sanjeev Reddy, Secretary of the DCA, served as the committee's head. In order to “sharpen India's global competitive edge and to further develop corporate culture in the country,” the ambitious goal of researching ways to “operationalize the concept of corporate excellence on a sustained basis” was entrusted to the organisation. The organisation established a Task Force on Corporate Excellence in November of 2000, and that task force published a report in

³Nath, Pradipta. 2017. “Corporate Governance and Shareholder Activism - iPleaders.” iPleaders. iPleaders. December 26, 2017. <https://blog.ipleaders.in/shareholderactivism-corporate-governance/>.

⁴OECD. 2014. Corporate Governance Improving Corporate Governance in India Related Party Transactions and Minority Shareholder Protection: Related Party Transactions and Minority Shareholder Protection. OECD Publishing.

November of 2000 that included a variety of suggestions for strengthening governance standards across all companies in India.⁵

4. **Naresh Chandra Committee Report:** In August of 2002, the Ministry of Finance and Company Affairs established a committee that would be chaired by Naresh Chandra and tasked with examining and recommending amendments to the law concerning auditor-client relationships as well as the function of independent directors. This committee was given the role of examining and recommending changes. Disclosures of both financial and non-financial information were addressed in the committee's suggestions, both of which are essential components of good corporate governance.
5. **Narayana Murthy Committee Report:** The Securities and Exchange Board of India (SEBI) appointed Narayana Murthy as the head of a committee that was established in 2002 for the purpose of examining how listed companies were implementing the corporate governance code and issuing amended clause 49. Some of the most important recommendations made by the committee primarily concerned audit committees, audit reports, independent directors, related party transactions, risk management, directorships and director remuneration, codes of conduct, and financial disclosures.⁶ In accordance with the Listing Agreement's Clause 49 After liberalisation, significant attempts have been made toward modernising the system, and the Securities and Exchange Board of India (SEBI) has formulated Clause 49 of the Listing Agreements, which deals with corporate governance. Beginning on the 31st of December in 2005, the provisions of Clause 49 of the Listing Agreement to the Indian stock market took effect. The following essential needs are included in it: • Independence of the Board Listed companies are required to have a certain minimum number of independent directors on their boards of directors. • Audit Committees: Publicly traded companies are listed to have audit committees of the board, which must have a minimum of three directors, of whom at least two-thirds must be independent. • Disclosure: In order to maintain a high level of transparency, listed companies are required, on a regular basis, to make numerous disclosures on financial and other issues.⁷
6. **J.J. Irani Committee Report:** The Bhaba Committee was established in 1950 with the objective of consolidating the existing corporate laws and providing a new framework for corporate activity in independent India. The recommendations of this committee were used as the basis for the enactment of the Companies Act in 1956. The Companies Act of 1913 was no longer in effect when this piece of legislation was passed in 1956. There have been as many as 24 amendments to this Act since it was first passed in 1956, and the need to streamline it has arisen on several occasions as the corporate sector in India has expanded in tandem with the country's overall economy. Further amendments to the Act were made in 1999, 2000, and 2002, and finally in 2003 through the Companies (Amendment Bill 2003) in accordance with the report of R.D. Sachar Committee. The most significant amendments to

⁵Trishala A , Lakshmi T and Rajeshkumar S, “ Physicochemical profile of Acacia catechu bark extract – An In vitro study”, International Research Journal of Multidisciplinary Science & Technology, Volume No. 3 , Issue No. 4, P.No 26-30, April 2018.

⁶Sarkar, Jayati, and Subrata Sarkar. 2012. Corporate Governance in India. SAGE Publications India

⁷Sarkar, Jayati, and Subrata Sarkar. 2012. Corporate Governance in India. SAGE Publications India

the Act were made through the Companies (Amendment) Act 1998 after taking into consideration the recommendations of the Sachar Committee. Committee of the Joshi. After a shaky start in the year 1980, India committed fully to its economic reforms programme in the 1990s, at which point it became clear that the Companies Act of 1956 required an extensive revision.⁸ As a result, the government decided to take new initiative in this area and, in December 2004, it established a committee headed by Dr. J.J. Irani with the mission of advising the government on the proposed revisions to the Companies Act of 1956.

7. **Central Coordination and Monitoring Committee:** The Department of Corporate Affairs established a high-powered Central Coordination and Monitoring Committee (CCMC) with the purpose of monitoring the action taken against vanishing companies and unscrupulous promoters who misappropriated the funds raised from the general public. The CCMC is co-chaired by the Secretary of the Department of Corporate Affairs and the Chairman of the Securities and Exchange Board of India. This committee came to the conclusion that seven Task Forces should be established throughout the country. They would be located in Mumbai, Delhi, Chennai, Kolkata, Ahmedabad, Bangalore, and Hyderabad.⁹
8. **National Foundation of Corporate Governance:** National Foundation for Corporate Governance (NFCG) is a new organisation that was recently set by the Ministry of Company Affairs in collaboration with the Confederation of Indian Industry (CII), the Institute of Company Secretaries of India (ICSI), and the Institute of Chartered Accountants of India (ICAI).
9. **Voluntary Guidelines issued by Ministry of Corporate Affairs:** In December of 2009, the Ministry of Corporate Affairs released certain guidelines called the Voluntary Guidelines on Corporate Governance. Few of them are:¹⁰
 - The positions of chief executive officer and chairman of the board must to be kept distinct from one another.
 - The companies could have a Nomination Committee, which is likely to be made up of the vast majority of Independent Directors and be chaired by one of those directors.
 - There should be no profit-based commissions or stock options included in the compensation of independent directors.
 - The Board need to make educational opportunities available to the directors.
 - The Audit Committee ought to include at least three members, the majority of which ought to consist of independent directors, and an independent director ought to serve as the committee's chairman.
 - The Committee has the ability to designate an internal auditor.

⁸Trishala A , Lakshmi T and Rajeshkumar S,“ Physicochemical profile of Acacia catechu bark extract – An In vitro study”, International Research Journal of Multidisciplinary Science & Technology, Volume No. 3 , Issue No. 4, P.No 26-30, April 2018.

⁹Trishala A , Lakshmi T and Rajeshkumar S,“ Physicochemical profile of Acacia catechu bark extract – An In vitro study”, International Research Journal of Multidisciplinary Science & Technology, Volume No. 3 , Issue No. 4, P.No 26-30, April 2018.

¹⁰Shagunbahl. 2017. “Corporate Governance under the Companies Act, 2013 - iPleaders.” iPleaders. iPleaders. October 10, 2017. <https://blog.ipleaders.in/corporategovernance-companies-act-2013/>

- The audit partner should change positions once every three years, and the firm should change positions once every five years.

10. **Ownership structure:** When it comes to the ownership structure of listed companies in India, there are two different sets of concerns to take into consideration. To begin, there is a significant concentration of ownership, which provides some companies or families real or effective control over the majority of companies, including those that are publicly listed. The second issue is that a big number of companies in India are often owned by the same family or are consolidated under the control of a single shareholder.

11. **Establishment of the NSE:** Excellence in Corporate Governance Research and Training Center The National Stock Exchange of India (NSE) set a Centre for Excellence in Corporate Governance in December 2009 with the goals of promoting the highest possible standards of corporate governance among Indian corporations and keeping those corporations up to date on both developing and ongoing issues (NSE CECG). This is an independent expert advisory board that includes prominent academics, industry practitioners, and other specialists in the field.

Corporate Governance under Companies Act, 2013

In India, the Companies Act of 2013 was passed on August 30, 2013, and it calls for radical reforms to be implemented in the sphere of corporate governance. It is anticipated that this would result in a significant revamp of the standards governing corporate governance and will have far-reaching repercussions for the way corporations in India conduct their business. The Companies Act of 2013 includes many provisions pertaining to corporate governance, including the following:

1. The appointment of independent directors and their maximum term limits;
2. The Election of a Woman to the Director appointment;
3. The appointment of key managerial personnel who would work full time;
4. Evaluation of the Directors' and the Board's-Taken Collectively-Performance;
5. Enhanced disclosures and assertions in the Board Report, the Annual Return, and the Directors' Report with regard to Managerial Remuneration, risk management, internal control for financial reporting, legal compliance, Related Party Transactions, Corporate Social Responsibility, shareholding pattern, public money lying unutilised, etc.
6. The implementation of stricter but more futuristic procedural standards for secretarial compliance with ICSI Secretarial Standards;
7. Increased adherence to regulations governing related-party transactions and the emergence of the idea of “arm's length pricing”
8. Increased limitations on the appointment of auditors and the need that auditors rotate on a mandatory basis;
9. Division of responsibilities between the Chairman and the Chief Executive Officer;
10. Mandatory requirements with respect to the vigil mechanism;
11. Establishment of a Committee for Nomination and Remuneration;

12. Establishment of a CSR Committee with a minimum of one Independent Director and the development of a CSR policy requiring the expenditure of 2% of an organization's average net profits over the three most recent financial years in order to implement the CSR policy.
13. An audit of the secretarial processes for the larger companies

Elements of Good Corporate Governance

The following is a discussion of some of the most significant components of sound corporate governance:

1. Role and powers of Board

The expression of personal beliefs and values, which in turn determine the values, beliefs, and actions of an organization's Board of Directors, is the most important factor in good governance. The Board, in its capacity as the major functionary of the organisation, has the primary responsibility for ensuring the development of value for its stakeholders. The lack of a clearly stated role and powers for the Board weakens the accountability mechanism less effective and poses a danger to the organization's capacity to fulfil its objectives. Therefore, the clear designation of powers, roles, responsibilities, and accountability of the Board, CEO, and Chairman of the Board is the most important criterion of effective governance. In a Board Charter, the responsibilities of the Board have to be laid out very clearly.¹¹

2. Legislation

Legislation and regulations that are clear and devoid of ambiguity are unambiguous components of efficient corporate governance. Legislation that needs subject legal interpretation or that is difficult to understand on a day-to-day basis might be susceptible to either intentional manipulation or accidental misinterpretation.

3. Management environment

The management environment should include the setting up of clear objectives and an appropriate ethical framework, the establishment of due processes, the provision for transparency and the clear enunciation of responsibility and accountability, the implementation of sound business planning, the skill of business risk assessment, having the right people with the right skills for the jobs, establishing clear boundaries for acceptable behaviour, establishing performance evaluation measures, and evaluating performance and sufficiency, and so on.¹²

4. Board skills

The Board must be equipped with the appropriate mix of characteristics, abilities, knowledge, and experience in order for it to be able to carry out its functions in an efficient and successful manner. Every single director ought to bring something of value to the table.

¹¹Shagunbahl. 2017. "Corporate Governance under the Companies Act, 2013 - iPleaders." iPleaders. iPleaders. October 10, 2017. <https://blog.ipleaders.in/corporategovernance-companies-act-2013/>

¹²Staff, Investopedia. 2008. "Shareholder Value." Investopedia. February 25, 2008. <https://www.investopedia.com/terms/s/shareholder-value.asp>

5. Board appointments

The positions on the Board ought to be filled after an exhaustive search has been conducted so that the most qualified individuals can be appointed to serve in those positions. Reappointments of directors, as well as the appointment of new directors, must follow a procedure that is both clearly outlined and transparent.

6. Board induction and training

Directors are expected to have a comprehensive knowledge of the company's business, as well as its corporate strategy and the issues that are currently being confronted by the Board. It is vital for directors to participate in continuing education and professional development programmes in order to keep ahead of any advancements that are or may impact on their corporate governance and other relevant tasks.¹³

7. Board independence

The presence of an independent board is necessary for sound corporate governance. This objective may be accomplished by associating the Board with a sufficient number of independent directors. The independence of directors would guarantee that there are no real or perceived conflicts of interest in the company. In addition to this, it guarantees that the Board is capable of effectively supervising and, when it is essential to do so, questioning the operations of management. The Board of Directors has to be competent of conducting an objective performance perspective of the management.

8. Board meetings

Directors are required to offer their duties the sufficient amount of time and attention in order to fulfil their responsibilities. Improving the quality of engagement that takes place at Board meetings requires not only frequent attendance at Board meetings but also extensive preparation in advance of entering the Boardroom. The meetings of the Board are when decisions are made by the Board. These meetings provide directors the opportunity to fulfil their duties as board members. The efficiency of board meetings is contingent on agendas that have been sufficiently prepared and on the distribution of pertinent documents and information to directors in sufficient time in advance of board meetings.

9. Code of conduct

It is of the utmost importance that the expressly prescribed standards of ethical practises and code of conduct of the organisation be disseminated to all of the company's stakeholders, that they are fully understood, and that every member of the organisation adheres to them. The adherence to the code of conduct should be measured, evaluated, and acknowledged on a regular basis, if at all practicable. There should be systems in place to do this.

¹³0.Verma, Vivek Kumar. n.d. "Companies Act 2013." Accessed June 9, 2018. <https://indiancase laws.wordpress.com/category/corporate-law/companies-act-2013/>.

10. Strategy setting

A long-term corporate strategy that includes an annual business plan, together with attainable and quantifiable performance targets and milestones, must be used to clearly outline the objectives of the company.

11. Business and community obligations

Even if the primary activity of a business organisation is essentially commercial, such company is nonetheless responsible for fulfilling its obligations to the community. Following the Board's approval, both the organization's community service obligations and its commercial objectives need to be clearly articulated. In order to fulfil our community obligations, we are proposed to keep the relevant stakeholders informed about both the planned and current projects.¹⁴

12. Financial and operational reporting

In order to fulfil its duty of monitoring the performance's operations and making sure everything is running smoothly, the Board of Directors requires information that is exhaustive, consistent, trustworthy, corporate, accurate, and pertinent. This information also needs to be of an appropriate form and level of quality. For this reason, clearly defined performance measures-both financial and non-financia-should be prescribed, since they would contribute to the organization's overall efficiency and effectiveness.

13. Monitoring the Board performance

In addition to the use of peer review, the Board of Directors is required to monitor and assess not only its overall performance but also that of individual directors at regular intervals using key performance indicators. The Board ought to establish an appropriate mechanism for reporting the results of the Board's performance evaluation results.

14. Audit Committees

The Audit Committee's responsibilities include, among other things, acting as a liaison between the management and internal and statutory auditors, reviewing the adequateness of internal control and compliance with responsible policies and procedures, and reporting to the Board on the most important issues. The effectiveness of the Audit Committee is an important factor in determining how well a company is governed.

15. Risk Management

The management and mitigation of risk is an important component of effective corporate governance. There should be a well-defined process in place for locating, assessing, and mitigating any potential risks that may stand in the way of the company's ability to clearly prevent its objectives. In addition to this, it entails making a connection between the risk-reward ratio and the resourcing allocation priorities. In order to effectively manage risk across the

¹⁴0.Verma, Vivek Kumar. n.d. "Companies Act 2013." Accessed June 9, 2018. <https://indiancase laws.wordpress.com/category/corporate-law/companies-act-2013/>.

organisation, appropriate control processes, in the form of a risk management plan, need to be put into place. Review of operational performance, efficient use of information technology, effective use of contracting out and outsourcing are only few of the tasks that should be covered by the plan.¹⁵

Role of Shareholder in Corporate Governance in India

Investors purchase a financial stake in the company, which permits those with voting offers to participate in the selection of company chiefs. Investors often do not have any rights to be directly involved in the management of the organisation in which they have invested. In most means, their interaction with the management of the organisation takes place via the Board of Directors. In the case that investors are dissatisfied with the performance of the executives, they could remove the chiefs from their positions or opt not to re-select them. Investors are considered to be the business's owners. They have rights of possession in the corporate stock that is being offered. Despite this fact, the role of the investor in the company is limited since they are neither afforded the privilege nor are they required to participate in the day-to-day operations of the business in which they have invested. Investor rights might vary widely depending on the kind of stock that is being claimed as well as the applicable state law. The Model Business Corporations Act is one example of a lawful piece of law that has a significant impact on state sources (Model Act).¹⁶

Straight Voting-By using this method, a typical shareholder is given one vote for each offer of regular stock, and that vote may be cast for any open position on the top management team.

Risk Management Committees and their Role in Good Corporate Governance

Risk management is a process that companies go through to identify, monitor, and manage any risks that might have a negative impact on the company while also attempting to lessen the severity of any such impact. According to the findings of research, effective risk management and strong corporate governance are intertwined. Any company that has an effective governance mechanism will inevitably also possess an effective risk management strategy. This is due to the risk that companies that have a solid system of rules and regulations to control the company are aware of the fact that doing business and taking risks are inextricably linked. In this paper of writing, the principles of sound corporate governance as well as the relationship between risk management and sound corporate governance have been discussed. A concerted effort is made to understand an understanding of the composition and operation of risk management committees.¹⁷

¹⁵Report of the Committee on Corporate Governance, SEBI (Jan 9, 2020, 12:53 AM), https://www.sebi.gov.in/reports/reports/oct-2017/report-of-the-committee-on-corporate-governance_36177.html

¹⁶Afra Afsharipour, Risk Management and the Board of Directors in Indian Firms, NSE (Jan 9, 2020, 12:43 AM), https://www1.nseindia.com/research/content/res_QB14.pdf

¹⁷Tulsi S. Sastri, Risk Management under the Companies Act, 2013, <https://www.caclubindia.com/articles/riskmanagement-under-the-companies-act-2013-24636.asp> last viewed on Feb 28, 2020 at 11:41 am.

The direction and system of a company or other kind of organisation may be thought of as the overarching goal of corporate governance, which encompasses not only a set of rules and regulations but also practises and procedures. A company that has strong corporate governance is able to establish itself more firmly and expand in accordance with the changing demands of the market and the times. Good corporate governance improves a company's ability to operate and assures transparency, both of which are necessary for sustained economic growth.

“Corporate governance” refers to the process of maximising the value of a shareholder's stakeholders while maintaining justice to all of the company's other constituents, including customers, workers, investors, suppliers, the government, and society as a whole. Transparency and increasing the trust and confidence of stakeholders in the way a company is managed are two essential tenets of good corporate governance. It is about the owners and managers of the shareholder acting as trustees on behalf of all of the shareholders, regardless of how many shares they own. The game of corporate governance is played by three different participants, namely, To start, there are the shareholders who have their own personal money invested in the corporation. Second, there is the executive management team that is responsible for running the business and answering to the board of directors. And finally, there is the board of directors, which is responsible to the shareholders because they are the ones who elect it and they are the ones to whom it is answerable. Economists believe that the solution to the issue of corporate governance lies in the reduction of agency costs, which refer to the fees paid to managers who run the corporation in the shareholders' best interests. Therefore, in order to ensure that we do not create an imbalance of benefits between various sections of shareholders—typically, the owner-managers of a company and the rest of the shareholders—the primary challenge posed by corporate governance lies in ensuring that we do not create asymmetry in the distribution of benefits. “Good corporate governance should help a board discharge its duties in the best interests of shareholders, which should contribute to better company performance. If it is ignored, the consequence may very well be vulnerability or poor performance.” A shareholder with good governance should have management that is efficient, effective, and entrepreneurial, and it should be able to produce value to shareholders over the long term. According to the Combined Code set by the Financial Reporting Council, this is the goal of Corporate Governance.¹⁸

There is a connection between corporate governance and a number of other ideas. Both effective risk management and full compliance with regulatory standards are essential components of sound corporate governance. By doing an analysis of the many categories of risk and the corporation's own risk profile, risk management enables corporations to make more educated choices. The Board of Directors is able to make more informed choices when they are aware of the degree of the risk that can be accepted without significantly hurting the corporation. These decisions, in turn, allow the corporation to expand and diversify without putting its very survival in jeopardy. In the long run, higher or premium values will be attracted to a corporation if it has effective corporate governance. When there is greater governance inside a company, investors are more likely to put their money into it, and banks are more likely to see the company

¹⁸Nath, Pradipta. 2017. “Corporate Governance and Shareholder Activism - iPleaders.” iPleaders. iPleaders. December 26, 2017. <https://blog.ipleaders.in/shareholderactivism-corporate-governance/>.

favourably, which results in reduced interest rates and borrowing costs. A company that is able to properly manage risk has greater corporate governance.¹⁹

Therefore, there is a direct link between corporate governance and risk management, as improved risk management leads to improved decisions made by the board, which in turn leads to the growth of the company, which in turn leads to the availability of additional capital and investors, which in turn leads to the corporation's continued growth and increased stability.

Corporate Governance Forums

The world has shrunk down to the size of a global village. The private sector, the public sector, and the thinking of the government all contributed to the development of the idea to follow globally recognised norms of corporate governance standards. Because the actions of companies have an impact on every facet of society as a whole, the framework for corporate governance is not only an important factor in determining the long-term success of businesses, but it is also essential for other terms of governance, such as national governance, human governance, societal governance, economic governance, and political governance.

As a consequence of the need to identify an institutional framework for corporate governance and to campaign for its cause, a variety of corporate governance forums and institutions have been established all over the world and their constitutions have been written up. In this educational study, we are going to have a conversation about some of the most well-known Forums and Institutions of Corporate Governance.²⁰

Institute of Company Secretaries of India (ICSI)

The “Institute of Chartered Secretaries and Administrators (ICSA)” has set the “ICSI- Centre for Corporate Governance Research and Training (CCGRT)” with the objective of developing and nurturing research efforts among members of the Company Secretaries profession and other researchers.

- In 2001, the Institute of Company Secretaries of India (ICSI) established the ICSI National Award for Excellence in Corporate Governance with the goal of recognising, encouraging, and rewarding the culture of establishing global best practises of corporate governance among Indian companies. An outstanding individual is honoured annually with the “ICSI Life Time Achievement Award for Translating Excellence in Corporate Governance into Reality,” which is presented in addition to the award that is given to the two companies with the best governance practises.
- **An Emphasis on Corporate Governance Throughout the Course Curriculum:** Education and training for Company Secretaries places a significant emphasis on corporate governance

¹⁹OECD. 2014. Corporate Governance Improving Corporate Governance in India Related Party Transactions and Minority Shareholder Protection: Related Party Transactions and Minority Shareholder Protection. OECD Publishing

²⁰OECD. 2014. Corporate Governance Improving Corporate Governance in India Related Party Transactions and Minority Shareholder Protection: Related Party Transactions and Minority Shareholder Protection. OECD Publishing

as a result of the fact that corporate governance is one of the essential competencies required of company secretaries. The Professional Programme requires students to write a complete paper on Corporate Governance with the subject “Ethics, Governance and Sustainability.” This assignment is part of the curriculum for the Professional Programme.

- **PMQ Course in Corporate Governance:** The Institute of Chartered Secretaries and Administrators (ICSI) has launched the introduction of a Post Membership Qualification Course in corporate governance to provide its members with the opportunity to gain acumen, insight, and comprehensive competence in corporate governance.
- **Secretarial Standards:** ICSI publishes Secretarial Standards as a pioneering initiative with the goal of integrating, harmonising, and standardising the many secretarial practises that are popular in the corporate sector. Secretarial standards “SS-1: Meetings of the Board of Directors and SS-2: General Meetings have been notified in the Official Gazette under Section 118 (10) of the Companies Act 2013 which provides that every company shall observe secretarial standards with respect to General and Board Meetings specified by the Institute of Company Secretaries of India and approved as such by the Central Government”. These standards were issued by the Institute of Company Secretaries of India (ICSI) and were given approval as such by the Central Government. Since the first of July in 2015, they have been in effect. Before the Companies Act of 2013 was enacted, the secretarial standards were advisory in nature, and the ICSI had issued a total of 10 Secretarial Standards. A new age of professional secretarial practises among professionals has begun with the publication of SS in the statute book.
- **Corporate Governance Publications:** Among order to instil a culture of responsible governance in its members and the corporate sector, the Institute regularly produces publications that are of relevance to both of these groups. ICSI is responsible for a number of important publications, one of which is titled “Corporate Governance-Beyond Letters.” This publication's revised version is released on a regular basis, and it does so by including the most successful strategies used by the corporations that took part in the Award.
- **Directors Development and Capacity Building Programmes:** The Institute is responsible for organising directors' development programmes because it organises the importance of leadership development in the boardroom as the key factor in improving governance. In addition, the Institute runs several programmes that can be found all around India and even in other countries to improve specialisation in corporate governance.
- **Investor Education and Awareness:** ICSI is actively involved in a variety of initiatives that are designed to raise investor awareness and educate investors because of its dedication to the cause of investor education. So far, more than 2100 programmes have been carried out in various parts of the nation. The Institute has also issued pamphlets in English and Hindi, in addition to booklets in other regional languages, with the goal of educating potential investors.
- **ICSI Recommendations to Strengthen Corporate Governance Framework:** ICSI made its recommendations to strengthen the Corporate Governance Framework after conducting an in-depth study of the corporate governance standards, concepts, and practises that exist in different countries throughout the world. The ICSI Recommendations to Strengthen the

Corporate Governance Framework are a significant source of inspiration for the MCA's Corporate Governance Voluntary Guidelines, 2009, which were published in 2009.

- **National Policy on Corporate Governance:** Through an office memorandum dated March 7, 2012, the Ministry of Corporate Affairs has established a Committee with the charge of formulating a Policy Document on Corporate Governance. Mr. Adi Godrej was appointed to serve as the committee's chairman. The Member Secretary/Convener position was held by the President of ICSI. The ICSI concept paper served as the basis for the committee's discussion and was prepared by that paper. On September 18, 2012, the Committee submitted its report to the Government of India. The report is presented in the form of Guiding Principles of Corporate Governance.
- **Founder member of National Foundation for Corporate Governance:** Along with the MCA, the CII, and the ICAI, “the Institute of Chartered Secretaries and Administrators (ICSA)” is one of the four founding trustees of the “National Foundation for Corporate Governance. Be A Catalyst In Making India The Best In Corporate Governance Practices”. This is the mission of the “National Foundation for Corporate Governance (NFCG)”.
- **Founder member of Corporate Secretaries International Association (CSIA):** Along with the “Chartered Secretaries Institutes of Australia, Hong Kong, Malaysia, Singapore, South Africa, and Zimbabwe, ICSI is a founding member of the Corporate Secretaries International Association (CSIA)”. In March of 2010, CSIA was launched, and they have since issued “Twenty Practical Steps to Better Corporate Governance”.
- **The National Foundation for Corporate Governance:** NFCG's mission is to establish capacities in the field of research in corporate governance and to communicate information that is both of high quality and timely to those stakeholders who are concerned; The Objective of the NFCG; The NFCG's internal governance and organisational structure.
- **OECD:** The governments of all 30 countries that are members of the OECD came to a framework on a set of guidelines for good practise that are outlined in a document called the OECD Principles of Corporate Governance. The OECD Principles encompass a total of six different fields.
- **IoD:** The Institute of Directors (IoD) is a non-partisan business organisation that was founded in the United Kingdom in 1903. The Institute of Directors seeks toward the goal of creating a business that is beneficial to the success of businesses.
- **The Commonwealth Association of Corporate Governance:** The Commonwealth Accounting and Corporate Governance (CACG) was established in 1998 with the intention of promoting the best international standards on corporate governance throughout the Commonwealth as a means of achieving global standards of business efficiency, commercial probity, and effective economic and social development.
- **The International Corporate Governance Network:** ICGN is an organisation that operates under the laws of England and Wales as a non-profit corporation that is limited by guarantee. The mission of the Network is to establish and promote adherence to standards and principles for corporate governance, as well as to promote good corporate governance on a global scale.
- **The European Corporate Governance Institute:** ECGI was founded in the year 2002. It has been established with the intention of enhancing the quality of corporate governance by promoting independent scientific research and activities linked to it.

- **The Conference Board:** In the year 1916, CB was established in the country that is now known as the United States of America. The governance programmes of the Conference Board assist businesses in enhancing their procedures, boosting public trust, and ensuring that they are in compliance with applicable regulations.
- **The Asian Corporate Governance Association:** The Asian Corporate Governance Association (ACGA) is an independent, not-for-profit membership organisation that is devoted to working with investors, firms, and regulators across Asia in order to establish good corporate governance practises.
- **CSIA:** CSIA is committed to promoting the values and best practises of governance professionals in order to build, foster, or improve a climate in which commercial business may be carried out in a manner that is equitable, profitable, and sustainable.

Limitation

We will not be allowed to utilise the most recent report as a reference since it contains paid references that are connected to corporate governance internal control methods that are managed by firms for their own use in-house. In addition, our scope is restricted to material that is freely limited over the internet.

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