

## A SYNTHESIS OF LITERATURE ON CORPORATE GOVERNANCE

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### ABSTRACT

*Towards the close of 20<sup>th</sup> century, governance issue came into prominence with the corporate failure and scam originating with famous U.S. Watergate scandal such an unhealthy practice was arrested to some extent by enactment of Foreign and Corrupt Practices Act as well tightening the disclosure norms on internal control by the U.S. Securities and Exchange Commission. Thereafter, a series of scams, scam financial impropriety etc. spurred by the string of high profile business failures, surfaced all over the globe. It comprised not only relatively matured economies like USA, UK but also extended its wings to Asian countries like India. The corporate houses which collapsed like a pack of cards has a long list namely Maxwell, BCCI, Enron WorldCom, Anderson, Harshad Mehta Securities scam, Vanishing Plantation Companies, Satyam and so on. The successive experience of scams and scandals in turn has further generated a lot of heat to devise alternative strategies and mechanisms to improve corporate best practice. This paper presents a brief review of the literature pertaining to the studies on reasons of failure of big corporate house, financial scams, creative accounting practices, reason of bankruptcy, avoidance of bankruptcy and achieving excellent Corporate Governance. It is very much interesting to study the Corporate Governance and its reason in the light of Indian and globalize economy as well.*

**KEYWORDS:** Corporate Governance, SEBI, Clause 49, Companies Act, Shareholders.

### Introduction

Corporate governance came into existence during the early years of the last century when Japan was in the grip of economic recession. The economic recession is ascribed to the inappropriate structure of Corporate Governance, which failed to respond to the changing business environment major corporations brought structured changes for accession foreign capital. The concern for developing international code of governance round the globe became a new mantra for attracting foreign money. In USA shareholders activism for transparency, disclosure and good governance practices induced by successive takeovers and mergers is a landmark in the history of corporations. There are many stakeholders of a corporation and each has its own expectations from the corporate body. The law of the land sets the rule on Corporate Governance and Corporate are aware of the norms to be observed on accountability. In India, the question of Corporate Governance has come up mainly in the wake of economic liberalization and deregulation of industry and business as well as the demand for a new corporate ethics and stricter compliance with the legislation. The new economic policy adapted by the government of India consequent to liberalization and opening up of the economy since 1991, has necessitated the demand for introduction and implementation of a proper Corporate Governance policy in

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