CORPORATE GOVERNANCE DISCLOSURE PRACTICES: A STUDY OF SELECTED INDIAN COMPANIES

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ABSTRACT

Corporate governance may be defined as encouraging transparency, accountability, corporate ethics and fairness. Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders" role in governance is to appoint the directors and the auditors to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting. The main objective of the research work is to analyse the corporate governance practices in India with reference to the selected listed companies from different sectors. The researcher has used secondary data for the purpose of study and the data were collected from the annual reports of the selected companies. For the purpose of data analysis, the researcher performed various statistical tools and based on data analysis researcher found that the most of sampled companies are currently following corporate governance disclosure practices as per the guidelines issued by SEBI. However, majority of companies follow good disclosure practices, thus, the researcher concluded that there is no significant differences in corporate governance disclosure practices followed by companies from different sectors.

KEYWORDS: *Corporate Governance, Disclosure Practices, Indian Companies.*

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Introduction

In recent years, significance of corporate governance has increased. In all over the world all countries started the good practices of corporate governance. Numbers of factors have leads to development of concept of corporate governance. like, globalization, integration of share markets and some of corporate scandals. Generally corporate governance defines as how company is directed, managed and control by top management. In other word corporate governance may be define as fairness, accountability and transparency of management towards the stakeholders and customers.

The key area of good corporate governance:

- Transparency
- Accountability
- Fairness

As per the Cadbury Committee (1992), "Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders" role in governance is to appoint the directors and the auditors to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting".

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The meaning of the term corporate governance is a subject of considerable debate. The concept has been defined in many ways. Organization for Economic Co-operation and Development (OECD) has defined corporate governance as, "procedures and processes according to which an organisation is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation – such as the board, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision-making."

Review of Literature

- **Kaur D. (2015)**[1] has analysed the difference in the corporate governance disclosure practices of banks with reference to private and public sector banks in India. According to the clause 49 of the SEBI using the researcher prepare index of 8 broad parameters and performed content analysis for the purpose of hypothesis testing. Based on analysis and hypothesis testing researcher concluded that each of the selected (8) parameters were different across the banks and researcher also found that Each parameter of the study had a diverse impact on Finance Committee, Audit committee and role of Audit committee etc.

- **Subramanyam M. (2014)**[2] studied the disclosure practices of corporate governance in IT companies in India. The main purpose of the study is to understand the concept of corporate governance and study the disclosure practices in IT companies. After the analysis of data, the researcher found that there are some factors which influence board related matters. The researcher also observed that the IT companies progressively improve their disclosure practices in their annual reports with regards to quality, transparency, full disclosure and in-depth reporting for confirming good corporate governance practices towards the stakeholders.

Research Methodology

Objectives of the Study

- To understand the concept of corporate governance.

- To study the Corporate Governance disclosure practices in selected leading sectors of India over the period of five years which have been described by average CG score and CG Index.

Universe of the Study

All the listed companies in India would be the universe of the study.

Sampling

Researcher has selected 5 different sectors (Automotive, Cement, Chemical, FMCG, pharmaceuticals,). From each sector sample top companies have been selected based on their market capitalisation for the study. The total sample comprises of fifty listed companies from different sectors. The sample companies are those listed on Bombay Stock Exchange (BSE) as on March, 2019.

Type of Data (Data Collection)

The researcher has used secondary data in the study. The researcher has collected the secondary data has been collected from secondary data sources, specifically from the annual reports of the selected companies.

Period of the Study

Period of the study was financial year 2014-2015 to 2018-2019.

Tools and Techniques

The researcher has applied CG Index and Average analysis method for the analysis of data.

Average Score = Total Score of all the companies in the sector in one year/Total number of companies.

Corporate Governance Index = Current year average/base year average (*) 100

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[1]   Deepinder Kaur TK. Corporate Governance Disclosure Practices of Public And Private Sector Banks: A comparative study. International Journal of Business Management. 2015, 2(1).

[2]   Subramanyam M, HD. Corporate governance and disclosure practices in listed information technology (IT) companies in India. Open Journal of Accounting, 2014.

- **Scope**

    The scope of the study is to examine current situation of corporate governance practices in the selected BSE listed companies in India.

- **Limitation of the Study**

    It may probable that the population features may not be representing by the selected companies. The limitations of the secondary data are also affecting the present study.

Data Analysis and Interpretation

Sector Wise Analysis (CG Index and Industry Average)

For design of CG score set outline of disclosure index has been used and total score has been calculated by allocating points to given parameters. In this section of the study, average score obtained by different industries over the period of seven years is shown and corporate governance index has been calculated to see the trend in the total CG score. In the following tables and graphs, different sectors, average scores and CG index has been shown.

Table 1: Automotive Sector Corporate Governance Disclosure

Years	Average Score	CG Index
2014-15	72.44	100
2015-16	75.44	104.14
2016-17	77.66	107.21
2017-18	83.22	114.88
2018-19	86.44	119.33

Analysis

The above table gives the analytical results of average CG score of Automotive Sector where top ten companies from top BSE 30 have been taken. The average CG score of Automotive Sector is 72.44 and have increased up to 86.44 over the period of five years. In this sector, it shows 19.33% increase over the period of five years.

Table 2: Cement Sector Corporate Governance Disclosure

Years	Average Score	CG Index
2014-15	70.22	100
2015-16	73.44	104.58
2016-17	78	111.08
2017-18	87	123.90
2018-19	88.22	125.63

Analysis

The above table gives the analytical results of average CG score of Cement Sector where top ten companies from top BSE 30 have been taken. The average CG score of Cement Sector is 70.22 and have increased up to 88.22 over the period of five years. In this sector, it shows 25.63% increase over the period of five years.

Table 3: Chemical Sector Corporate Governance Disclosure

Years	Average Score	CG Index
2014-15	60	100
2015-16	64.33	107.22
2016-17	69.66	116.1
2017-18	72	120
2018-19	86.66	144.43

Analysis

The above table gives the analytical results of average CG score of Chemical Sector where top ten companies from top BSE 30 have been taken. The average CG score of Chemical Sector is 60. and have increased up to 86.66 over the period of five years. In this sector, it shows 44.43% increase over the period of five years.

Table 4: FMCG Sector Corporate Governance Disclosure

Years	Average Score	CG Index
2014-15	69.66	100
2015-16	76	109.10
2016-17	84.33	121.06
2017-18	90	129.20
2018-19	92	132.07

Analysis

The above table gives the analytical results of average CG score of FMCG Sector where top ten companies from top BSE 30 have been taken. The average CG score of FMCG Sector is 69.66 and have increased up to 92 over the period of five years. In this sector, it shows 32.07% increase over the period of five years.

Table 5: Pharmaceuticals Sector Corporate Governance Disclosure

Years	Average Score	CG Index
2014-15	70.66	100
2015-16	74.33	105.19
2016-17	78	110.39
2017-18	84.66	119.81
2018-19	94	133.03

Analysis

The above table gives the analytical results of average CG score of Pharmaceuticals Sector where top ten companies from top BSE 30 have been taken. The average CG score of Pharmaceuticals Sector is 70.66 and have increased up to 94 over the period of five years. In this sector, it shows 33.03% increase over the period of five years.

Major Findings and Conclusion

To summarise the discussion of all the sectors it is seen that there is increase in the average score and in CG index as well in case of all the companies. In automotive sector, this increase was 19.33%. In case of cement sector this increase was near 25.63%. FMCG sector CG score increases almost 32.07%. Pharmaceuticals Sector score increase by 33.03% and Chemical sector is showing the highest increase of 44.43% as compare to all other sectors.

The researcher tries to explore the disclosure practices in India with reference to top companies from 5 different sectors. Based on analysis of data the researcher concluded that all most all companies follow the good disclosure practices of corporate governance. The researcher also found that there are significant differences in corporate governance disclosure practices followed by companies from different sectors. After studying the reports of the selected companies for the selected five years the following important points have been observed:

- Information related to mandatory norms is same over the years and the same form of minimum information has been presented in the reports over the given period of time. After 2013 some changes have been observed in way of presenting the required information. These changes incorporated in form of improved presentation and more details about different parameters.
- Most of the companies are following same pattern, same information over a period of time, no effort is seen in terms of any improvement.

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