

IMPACT OF DIGITALIZATION ON CORPORATE GOVERNANCE IN INDIA

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ABSTRACT

Corporate governance includes the principles of transparency accountability and the security. Poor corporate governance at best results in a corporation failing to realize the stated goals and ambush can cause the collapse of the corporate and the significant financial losses for the shareholders. Effective corporate governance requires transparent understanding of respective roles the board and of the seniors management and their relationship with the others within the corporate structure. The objectives of the company governance is has the prevention of such scams within the business which have an enormous bearing not only on the immediate shareholders but also on the moral of the largest stakeholder groups. Corporate governance within the business context refers to the systems of rules practices and the process is by which companies are governed. Corporate governance is therefore about what the board of a corporation does and the way it sets the values of the corporate, and it's to be distinguished from the day to day operational management of the corporate by full-time executives.

KEYWORDS: *Corporate Governance, Digital Documents, Impacts of Digitalization, Corporate Executives.*

Introduction

Digitization refers to creating a digital representation of physical objects or attributes for instance we can a paper document and save it as a digital document. In other words, mission is about converting something non digital into a digital representation or artifacts. An example from manufacturing would be when a measurement is converted from a manual for mechanical reading an electronic one digitization is foundational it is unable for all the processes that provides business value because of the need for the consumable data is in the form of binary numbers which facilitate computer processing and other operations but strictly speaking digitizing simply means the conversation of the analogue source material into a numerical format.

Corporate Governance

Corporate governance refers to the way of corporation in governed as well as economic and social goals. It is ensured that all shareholders fully exercise their rights and that the organization fully recognized their rights. Sustainability ensures the long-term financial and economic viability of corporate investments and off requiring compliance with minimum environment viability and social standards. In this study the researcher has critically analyze the concept of corporate governance and impact of digitization on corporate governance.

It triggered a tsunami of disruption in Business that opened new business models, industries and raised questions on the prevailing ones. Made a compulsive case for organization to take a position and adopt them across industries. Going Digital is usually misunderstood to be a destination; it's induced changing behaviors to incorporate individual, organizational, societal, and consumer behaviors at a greater pace. Corporate governance is a lively area of research and debate . The outcome of the debate is important for industrialized nations, developing countries, and transition economies. The volume takes stock of research within the subject, criticizes the standard agency view, and presents ideas and analysis about the role of competition, the economics of corporate governance, the consequences of various

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systems on growth and performance, the governance system by risk capital within the Silicon Valley, and human capital and control within the new corporation In today's market- oriented economy, the necessity for corporate governance arises. Also, efficiency also as globalization are significant factors urging corporate governance. Corporate Governance is important to develop added value to the stakeholders.

Digital Transformation and Corporate Governance in India

With the economic liberalization in 1991 the government has broadened the information technology sector to boost the economy. The liberalization reforms have brought significant change for the governance of private sector companies and the financial sector main the banking sector in the stock market. The SEBI was set up in 1992 the main regulator of the securities market and of the corporate governance standards. In 2013 and afterwards Paradigm shift in the Indian corporate governance landscape where witnessed, new companies act was introduced and the corporate governance standards for all the companies were strengthened .furthermore in the 2017 SEBI form the KOTAK committee to overhaul the system of corporate governance practices. The corporate governance model of India is primary based on the UK model of the Anglo Saxon model are the insider model and the board structure is unitary board system with the Predominance of independent directors in the board.

Review of Litreture

Shleifer & Vishny, 1997; Khanna & Palepu, 2000; Claessens, 2006; Tricker, 2009 ,Well-governed companies have opportunities to attract greater investments that help economic development.

Monks & Minow, 1995; OECD, 2004; Tricker, 2009 ,Corporate governance creates better relations between the board and the shareholders.

Lazonick & O'sullivan, 2000; Kirkpatrick, 2009; Kocmanová et al., 2011; Lipton et al., 2016 ,Many researchers have studied that there is a strong relationship between good corporate governance practices and long-term wealth creation, sustainability, and well-being of the company.

Dbe, 2003; Hopt, 2003; Tricker, 2009 ,The financial crisis of 1997 in East Asia and the corporate scandals and collapses, especially Enron debacle in 2002 in the US, witnessed the drastic change of corporate governance systems across the world especially in emerging economies.

Shleifer & Vishny, 1997; La Porta et al., 2000 , Evidence shows that the enforcement of regulations and laws determined better protection of shareholders' rights and interest.

Objective of Study

- To see the impact of digitalization on corporate governance
- To provide information to investors
- To explore the major implications of digitalization on corporate governance.
- To see the changes in outlay of corporate governance due to digitalization.

Digital Transformation and Corporate Governance in India: A Conceptual Analysis

Research Method

This study explores the impact of digitalization of regulatory frameworks (law, listing regulations and guidelines) of corporate governance practices in India, and analyses the level of digitalization of corporate governance frameworks using Companies Act, SEBI (LIBOR) 2015 Regulations and KOTAK Committee recommendation of corporate governance, 2017. It is qualitative in nature, since selective sections of such regulatory frameworks that specifically focus on digitalization were chosen, and was analyzed content wise.

Analysis and Discussion

	Shareholders Engagement
Companies Act, 2013	Introduced electronic voting.
SEBI (LODR) Regulations, 2015	Mandatory to supply remote e-voting facility for all shareholder resolutions
KOTAK Committee recommendation, 2017	Recommended e-voting facility with different features, also as one-way live webcast of the recordings of all shareholder meetings.
	Submission of Annual Reports
Companies Act, 2013	The financial statements for listed companies can now be sent altogether either by emailing, or by dispatching physical copies to such members (holding demat securities) with the depository for communication purposes.

SEBI (LODR) Regulations, 2015	In compliance with the report on Corporate Governance, all the detailed information on the material related party transaction of the companies must be provided and disclosed. The disclosure of related party transaction must be produced quarterly; and the policy regarding related party transactions must be disclosed in company's Annual Report with the web link, as well as be published on its website.
KOTAK Committee recommendation, 2017	The copy of the annual report which is sent to the shareholders, including the notice of the annual general meeting, is required to be submitted to the stock exchange. In the event any corrections to any section of the annual report, they must be approved by shareholders and then the revised copy (with full information of an explanation for the changes so approved) must be sent within 48 hours after the annual general meeting.
	E-voting and Webcast of Proceedings of the Meeting
Companies Act, 2013	Mandatory for a listed company to provide e-voting facility to shareholders, and such e-voting is permitted till 5 p.m. one day prior to the general meeting. However, it is not mandatory to webcast meeting proceedings.
SEBI (LODR) Regulations, 2015	Mandatory to provide remote e-voting facility for all shareholder resolutions, and also the voting results need to be submitted within 48 hours of the conclusion of the general meeting.
KOTAK Committee recommendation, 2017	On the day of the general meeting, the E-voting must be kept open till midnight (i.e. 11:5 p.m.). The modification of votes cast through e-voting may continue, even though there is restriction in the existing requirement. Must provide one-way live webcast of the proceedings of all shareholder meetings.
	Information Technology Committee
Companies Act, 2013	No specific provisions
SEBI (LODR) Regulations, 2015	No specific provisions
KOTAK Committee recommendation, 2017	The listed companies must form an information technology committee, which, in addition to the risk management committee, will focus on digital and other technological aspects.
	Stock Exchanges Annual Compliances
Companies Act, 2013	Compliance with stock exchange(s) the SEBI (LODR) Regulations, 2015 has covered all the requirements.
SEBI (LODR) Regulations, 2015	Under Listing Regulations, the listed company has to file the reports, statements, documents, filings and any other information with the recognized stock exchange(s) on the electronic platform as specified by the Board or the recognized stock exchange(s). The mandatory documents to be filed with the exchange in electronic mode includes: <ul style="list-style-type: none"> • Financial Results; • Annual Report; • Certificate from the Practicing Company Secretary; • Reconciliation of the Share Capital Audit; • Appointment of a New Share Transfer Agent; • Listing Fees & Other charges; • Notice for Board Meeting to consider the prescribed matters; • Disclosure of Price-Sensitive Information; • Outcome of Board Meeting; • Notice for Record Date/Corporate Action; • Declaration of Dividend; • Dividend Distribution Policy; • Voting Result; • Company Website; • SEBI Takeover Regulations; and • SEBI (Prohibition of Insider Trading) Regulations
KOTAK Committee recommendation, 2017	Compliance with stock exchange(s), the SEBI (LODR) Regulations, 2015 has widely covered all the requirements.

Impact on Board

The most impactful challenge that is likely to be the need for the board is tasked with governance, this doesn't run things but it governs Woodlawn things and how things are run. While the basic governance responsibilities of boards of directors remaining constant, leadership on a good body is more fluid. They need to be a custodial of change, respond to mitigate risk in crisis identify opportunities for growth and create future leaders more vigorously than otherwise. This involves board leadership shall see changes in both, board structure and board process and redefining "independence" of non executive.

Impact on Structure

Understanding that new age challenges continued to be concerned with rules, procedures, composition of committees and the like and together they are supposed to produce vigilant, involve birds has been perforated. The leadership requirement to not just meet the challenges of the digitalization era but to take advantages of it shall be provided by expert in the domain rather than general expectation that the chairman or CEO shall provide for one.

Impact on Processes

Given the need for skill or domain specialization inclusion within the board in a digitized business environment that demands specialization for the board to meet its purpose, one-man leadership will be a matter of the past. Basis the priorities, specialist within the board must set the agenda of the board. The greatest challenge is to help corporate leadership members, who can be unfamiliar with the latest technological trends, understand that digitization can allow them to work remotely. The next challenge is then to foster a climate of trust that allows me to obtain access to interact with files or documents owned by the company for which I am working.

Impact on Accounting System

The digital transformation is occurring not only in the core operational areas of the organizations, but also in the central functions such as human resources, purchasing, and finance. Surprisingly, it is also taking hold of the systems and processes in accounting at a rapid pace.

Paperless accounting, accepting invoices and other files by means of an interface directly into the accounting system, management of data quality, process automation, integrated consolidation system, real time reporting and cloud computing are a number of the digital solutions being implemented by the organizations.

Challenges of Digital Transformation and Corporate Governance

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Cyber security continues to be a major challenge to the physical and economic welfare of governments, individuals, and businesses worldwide (Trautman, 2016). Safety is the biggest hindrance to the digital transformation of company law, as well as corporate governance. The strength of the organization or the company will constantly be measured against its weakest link, when it comes to the matter of cyber security (Chauvin et al., 2016). In India, the Information Technology Act, 2000, and other laws provide legal identification to electronic articles, a system to support e-filing, and e-commerce transactions and provide a legal groundwork to moderate cyber-crimes. Cyber security pertains to the protection of business data and operating systems, and therefore the protection of corporate records and property (Chauvin et al., 2016). Companies should make the protection of data security be the primary focus of board action and oversight. The digital transformation may lead to better execution of work, enhancement of the communication line and better relations among various participants of the company, such as boards, managers, employees, shareholders and stakeholders. The impact of digitalization increases the cost-benefit of the company, communication with investors and vice versa becomes easier, faster and less expensive. Finally, stringent cyber security regulations are required to establish better corporate governance systems in companies. There is a need to monitor cyber risk, and develop an advanced cyber security mechanism to protect the company. The nature of challenges brought in by Digitalization is quite diverse. On one extreme it has significantly diminished the industry boundaries, to leaving industry struggling to keep pace on security related matters, internal process changes and with huge data availability, and on the other extreme made existing business models less relevant and cropped up new business models. Some of these are discussed below.

Conclusion

The paper presents the impact of digital transformation on the practice of corporate governance in India. It is found that the level of the digitization of regulatory framework and listing regulations on corporate governance aspect is closely aligned and well balanced. It is suggested that the regulators, as well as companies, must review the benefits, constraints and challenges associated with digitization of company law, listing regulations and corporate governance guidelines. The latest development of corporate governance practices in India has undergone drastic changes to strengthen the corporate governance framework and broaden digital transformation. The regulatory frameworks are in place, the regulatory bodies and other responsible authorities are actively searching for the best way to strengthen its regulations to enhance corporate governance practices. The biggest challenges remain the implementation and the enforcement of the regulatory framework on the ground. Digitization is a journey and not an end, and so is Good Governance. As Digitization continues to evolve it will continue to pose challenges and opportunities to Good Governance and will be an important driver of Good Governance.

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