

AN ANALYSIS OF CORPORATE GOVERNANCE PRACTICES IN TOP 100 COMPANIES IN INDIA

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ABSTRACT

Corporate governance is an age old concept which gave its birth in 18th and 19th century. The concept and interest on corporate governance flows beyond finance and extends to law, economics, politics, sociology and management science. The growing importance and popularity of governance gave birth to corporate governance. Governance is establishment of policies and continuous monitoring of their proper implementation by the members of governing body of an organisation. Corporate governance is the system of rules, practices and processes by which a company is directed and controlled and involves balancing the interests of companies many stakeholders such as shareholders, management, suppliers, government, financiers and the community. The main objective of this paper is to discuss corporate governance practices in top 100 companies in India. Corporate governance is a wider term in today's business environment. Further after analysis we find that all companies practice some sort of corporate governance due to compulsory requirement stated in their annual reports and some manufacturing industries follow corporate governance because they are given incentives in form of carbon credits. Therefore corporate governance practices have brought major changes in Indian companies' performance but, most of the companies have no plans to change their Corporate governance practices in near future.

Keywords: Corporate governance, carbon credit, top 100 Indian companies, stakeholders.

Introduction

The term corporate governance is not a new terminology, the term has gained momentum due to high profile corporate scandals like satyam fraud in 2008. The practice of corporate governance has progressed in a big way in Indian companies there are several companies which made proactive initiatives in introducing good governance norms and standards even before these became mandatory. In India companies with good corporate governance measure are easily able to get financial support from financial institutions. Good corporate governance is needed as it helps an organization in achieving several objectives such as attracting, motivating and retaining talent, creating a secure and prosperous environment and improving operational performance and to reduce risk and increase companies' fame and name.

Objectives of the study

The objective of the study is to analyse the corporate governance practices in top 100 firms in India and to get answers to following four questions

- Whether the companies are looking in to corporate governance practices?

- How are they doing it?
- Why are they doing it?
- How is it making an impact on performance

Research Methodology

The study is conducted with the help of secondary data collected from annual reports and websites. A sample of top 100 companies in India were selected. The selection of the top companies for study is based on corporate database process of the Centre for Monitoring Indian Economy (CMIE). CMIE is India's largest and most comprehensive database on firms operating in India. Prowess is a database of large and medium Indian firms containing detailed information of over 20,000 firms, which are traded on India's major stock exchanges and several others including the central public sector enterprises, banking and organized financial and other service sector in India. The top 100 companies are selected based on total revenue from 2010-2018.

Analysis of Top 100 companies

A. Whether the companies are looking into corporate governance practices?

In Today's world of business, all companies irrespective of sector are practicing corporate governance at least as said in their annual reports. There are several companies which made proactive initiatives in introducing good governance norms and standards even before these became mandatory.

For example

Sl. no	Company name	Corporate governance practices
1	WIPRO	<ul style="list-style-type: none"> ● Instituting stock ownership (1984) ● Constitution of sub committees of Board of Director's for Audit ● Compensation and benefits (1983) ● Preparation of consolidated financial statements (1986)
2	Tata motors Ltd.	<ul style="list-style-type: none"> ● Tata business excellence model ● Tata code of conduct
3	Bharat Heavy Electricals Ltd.	<ul style="list-style-type: none"> ● Majority independent directors in composition of board ● Constitution of board committees for oversight and

		<p>guidance</p> <ul style="list-style-type: none"> ● Timely dissemination of information to shareholders ● Code of conduct
4	Reliance Energy	<ul style="list-style-type: none"> ● Values and commitments ● Code of ethics ● Business policies ● Problem of insider trading ● Prevention of sexual harassment ● Whistle blower ● SA 8000 (Standard for social Accountability) ● OHSAS 18001 (for establishment of occupational and safety management system
5	Ashok Leyland	<ul style="list-style-type: none"> ● Evaluation process for functioning of board and subcommittees ● Executive compensation policies ● Ombudsman for reviewing whistle blower policies etc. ● Board charter etc.

Therefore in overall study all 100 companies practice corporate governance in some form or the other

B. How are companies doing corporate governance

Companies have developed philosophies governing the governance practices that are introduced in their respective companies and the outcome that is being expected from these initiatives. Some of the modern governance practices by companies is by

- Arranging meeting of the board and audit committees
- Discussion on corporate governance practices in annual reports
- Disclosure through wide range of media and
- Company sources

The performance of different companies on corporate governance are charted below.

1	In private Banks	Compliance with rules and regulations are key pillars than their corporate governance practices
2	In Government Banks	Remuneration committee is missing and their remuneration is fixes by government itself.
3	Most companies	Do not follow SEBI guidelines about composition of board of directors and listing agreements
4	Metal and Mineral sector	Do not follow transparency in board composition and remuneration practices
5	Most public and Private companies	Do not disclose information which should be disclosed compulsorily that is they disclose only up to the point where interest of the company are not harmed.

From the analysis of annual reports of companies it is found that majority of companies follow corporate governance practices stringently and few companies fail to obey certain corporate governance practices due to tight regulations or fear of revolt by employees.

C. Why are they doing it

All 100 companies are practicing corporate governance in one form or other due to certain advantages it can leap from it, that is

- To protect interest of stakeholders
- Incentives are given to companies to follow corporate governance practices in form of carbon credits.
- Competitive advantage or brand reputation can be built by following corporate governance
- Customer retention and customer accusation can be made by practicing corporate governance
- Corporate governance measures are followed by companies to be transparent and due to compulsory requirement in certain cases.

D. Impact on performance of 100 companies

From analysis we find that corporate governance practices have a major impact on the performance of companies. The impact has always been positive except for satyam computer. Thus corporate governance impacts performance of companies by

- Building brand image to stakeholders

- Builds vision, mission of the company
- Corporate governance enhances company image
- Corporate governance brings a proper structure for working of company

Findings

- ❖ Corporate governance is practiced by all sectors due to mandatory requirements.
- ❖ The primary driver behind corporate governance is interest of stakeholders, brand image, customer retention and customer accusation
- ❖ Chemical / fertilizer and some manufacturing industries have certain incentives for following corporate governance practices in form of carbon credits.
- ❖ Corporate governance practices have a major impact on performance of companies
- ❖ We find that companies have no major plans to change corporate governance practices in near future.

Conclusions

India has been ranked high on several aspects of corporate governance such as shareholder right, creditor right, disclosure requirements, liability standards and quality of regulation; whereas it displays limitations on aspects such as enforcement, corruption, red tape, ease of doing business, hiring and firing staff, quality of credit information, contract enforcement etc. In this paper we have analysed top 100 Indian companies corporate governance practices by answering four important questions. Indian companies still have better future for them. For this they need to acknowledge and continue corporate governance reforms. We can very well conclude that 'As legal rules are, to a significant degree, endogenous to the political economy context of the systems in which they operate and so are the corporate governance practices.

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ANNEXURE 1

TABLE 1 TOP 100 COMPANIES

1.	Indian Oil Corporation Ltd.
2.	Reliance Industries Ltd.
3.	Oil and Natural Gas Corporation Ltd.
4.	State Bank of India
5.	Tata Motors Ltd.
6.	Bharat Petroleum Corporation Ltd.
7.	Hindustan Petroleum Corporation Ltd.
8.	Rajesh Exports Ltd.
9.	Tata Steel Ltd.
10.	Coal India Ltd.
11.	Tata Consultancy Services
12.	Larsen and Turbo Ltd.
13.	Hindalco Industries Ltd.
14.	ICICI Bank Ltd.
15.	Vedanta Ltd.
16.	HDFC Bank Ltd.
17.	Mahindra and Mahindra Ltd.
18.	NTPC Ltd.
19.	Bharati Airtel Ltd.
20.	Maruthi Suzuki India Ltd
21.	Infosys Ltd.
22.	Housing Development Finance Corp. Ltd.
23.	JSW steel Ltd.
24.	Axis Bank Ltd.
25.	Steel Authority of India Ltd.

26.	Punjab National Bank
27.	Grasim Industries Ltd.
28.	WIPRO Ltd.
29.	Motherson sumi systems Ltd.
30.	Gail (India) Ltd.
31.	Bank of Baroda
32.	HCL Technologies
33.	Mangalore Refinery and Petro Chemicals Ltd.
34.	Canara Bank
35.	ITC Ltd.
36.	Bank of India
37.	General Insurance Corporation of India
38.	Redington (India) Ltd.
39.	ICICI Prudential Life Insurance Co. Ltd.
40.	Kotak Mahindra Bank Ltd.
41.	Adani enterprise Ltd.
42.	Union Bank of India
43.	Hindustan Unlived Ltd.
44.	Indian oil corpn. Ltd.
45.	Reliance infrastructure ltd.
46.	Allahabad bank
47.	Standard chartered bank
48.	Hongkong & shanghai banking corpn. Ltd
49.	Northern coalfields ltd
50.	Bongaigaon refinery and petrochemicals ltd
51.	Oil India ltd
52.	Indian bank

53.	Tata power company ltd
54.	NABARD
55.	NMBC LTD
56.	National aluminum company ltd
57.	Mahanagar aluminum company ltd
58.	Rashtriya chemicals and fertilizers ltd
59.	Corporation bank
60.	Power grid corporation of India ltd
61.	State bank of Hyderabad
62.	Power finance corporation ltd
63.	Andra bank
64.	Honda steel cars India ltd
65.	Tata chemicals ltd
66.	Tata sons ltd
67.	Bharat aluminum company ltd
68.	HCL technologies ltd
69.	Bhushan steel ltd
70.	Punjlloyd ltd
71.	Vijaya bank
72.	Crompton greaves ltd
73.	Cipla ltd
74.	Bharat electronics ltd
75.	Eastern coal fields ltd
76.	Appolo tyers
77.	Adhithya birla nuvo ltd
78.	United bank of India
79.	Nuclear power corporation of India ltd

80.	National fertilizers ltd
81.	Asian paints ltd
82.	Shipping corporation of India ltd
83.	Century textiles and India ltd
84.	Bank of Maharashtra
85.	Goderaj and boyce manufacturing company ltd
86.	Coromandal fertilizers ltd
87.	Gujarath state fertilizers and chemicals ltd
88.	City bank
89.	Sathyam computers services ltd
90.	Central bank of India
91.	Oriental bank of commerce
92.	Axis bank ltd
93.	ISPAT industries ltd
94.	ITC LTD
95.	Indian farmers and fertilizers india ltd
96.	Adani enterprises
97.	Jet airways ltd
98.	syndicate bank
99.	Hindustan zinc ltd
100.	Sterlite industries india ltd