A Study on Corporate Governance Disclosure Practices of Selected Indian Companies

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ABSTRACT
In the recent decade, corporate governance (CG) has exploded in popularity, and it is now widely recognised as a critical business feature. The Asian financial crisis has been attributed to "poor" CG and "lack" of company financial reporting transparency. As a result, a significant increase in transparency is required, both in "accounting" and "public disclosures." Nowadays, CG disclosure is a central feature of the modern corporate regulation system, which includes a company's provision of information to the public in a number of formats. This 'empirical' case study examines the CG disclosure procedures in India in light of CG compliance requirements and mandatory/non-mandatory disclosure standards, as contemplated by the latest provisions of the SEBI's "Clause 49 of the Listing Agreement." This article investigates the practises of corporate governance in a number of India's publicly traded corporations. The researcher chose ten organisations from ten different industries for this investigation.
Keywords: Corporate Governance, India, Listed Companies

INTRODUCTION

The notion of corporate governance dates back centuries, but it gained global traction following a series of high-profile corporate scandals. In the last two decades, the concept has gained a lot of traction in India as well. Misconduct at Satyam Computer Services Limited (SCL), India's fourth largest software company, was exposed in 2008, refocusing attention on corporate governance.

In 1998, the Confederation of Indian Industry (CII) was the first to issue the Code of Desirable Corporate Governance. The Ramakrishna Commission on Public Sector Undertakings' (PSUs') corporate governance emphasised autonomy in professionalising the board, providing incentives for top management, accountability, autonomy in price fixing, strengthening investor interface, power to dispose of assets, providing for elected directors, establishing a pre-investigation board, freedom to invest within certain limits, and power to enter a joint venture (Ramakrishna Commission Report, 1999). The recommendation of the K. Birla Corporate Governance Committee was accepted by the Securities Exchange Commission of India (SEBI) in 2000 and became clause 49 of every Indian stock exchange's listing agreement. The Companies Bill 2011 from the Ministry of Corporate Affairs, Government of India, is the most recent effort in this direction.

Those with good corporate governance measures in India can borrow money from financial institutions more easily than companies with bad corporate governance measures. Furthermore, there is evidence that mutual funds have invested in companies with a solid corporate governance track record rather than companies with a bad CG track record

(Mohanty 2003). Developing appropriate strategies that result in the achievement of stakeholder objectives; Attracting, motivating, and retaining talent; creating a secure and prosperous operating environment and improving operational performance; and, managing and mitigating risk and protecting and enhancing the company's reputation are some of the more important goals that good corporate governance helps an organisation achieve (KPMG 2009).

The problem of corporate in India differs from that of the Anglo-Saxon environment because the problem in India is exploitation of minority shareholders by dominant shareholders, whereas the problem in the Anglo-Saxon environment is exploitation of shareholders by management. Furthermore, in the Indian setting, the capital market is capable of disciplining dominant owners more effectively than regulators (Chakrabarti 2005). While the majority of respondents feel that corporate governance should be applied through principle-based standards and reasonable rules, they also agree that there is a need for tighter regulatory oversight and exceptional enforcement (KPMG 2009). While India has implemented numerous corporate governance reforms over the last decade, particularly in the areas of company boards, independent directors, and disclosure and accounting standards, certain critical areas remain to be addressed, most notably the accountability of promoters (controlling shareholders), the regulation of related party transactions, and audit profession governance (ACGA 2010).

CLAUSE 49 OF THE LISTING AGREEMENT

The phrase "Clause 49" refers to clause 49 of a company's Listing Agreement with the Stock Exchanges on which it is listed. For all Indian stock exchanges, including the NSE and BSE, the Listing Agreement is identical. This clause was included to the Listing Agreement in 2000 in response to the recommendations of the Kumar Mangalam Birla Committee on Capital Markets established by SEBI in 1999. When Clause 49 was first inserted, it was intended to establish certain fundamental corporate governance norms into Indian corporations and to effect a number of significant reforms to governance and reporting. The SEBI established the Narayana Murthy Committee in late 2002 to "review the soundness of current corporate governance processes and to make recommendations for reform." SEBI published an amended Clause 49 on October 29, 2004 (the "updated Clause 49"), which took effect on 1st January, 2006. In India, revised Clause 49 of the Listing Agreement requires all listed businesses to file a CG report quarterly. According to SEBI guidelines (available at www.sebi.gov.in), "the key mandatory features of Clause 49 regulations address the following: board composition, audit committee composition and function, governance and disclosures regarding subsidiary companies, company disclosures, CEO/CFO certification of financial results, and reporting on CG as part of the annual report." Additionally, Clause 49 requires companies to make "specific" corporate disclosures regarding the following: related-party transactions, accounting treatment deviations from Accounting Standards, risk management procedures, proceeds from various types of share issues, director remuneration, a management discussion and analysis section in the annual report discussing general business conditions, outlook, and background, and committee memberships of newly appointed directors. Additionally, a board committee chaired by a non-executive must

address shareholder or investor issues. Finally, share transfers, which have been a long-standing issue in India, must be expedited.

Clause 49 as altered has appropriately advanced the original objective of protecting investors' interests through increased governance measures and disclosures. Clause 49 as amended advances farther into the realm of global best practises (and sometimes, even beyond). In this regard, Chakrabarti (2008) stated succinctly: "Similar in spirit and breadth to the Sarbanes-Oxley regulations in the United States of America, Clause 49 has unquestionably been a watershed moment in the evolution of CG practises in India." Indian listed businesses are now have to file with the SEBI the CG compliance report, shareholding pattern, and financial statements. The SEBI has established a separate portal, dubbed "Edifar," for the purpose of posting pertinent information given by the company. Without a question, both the quality and volume of disclosures have increased.

LITERATURE REVIEW

Rujitha (2012) investigated Regulatory Issues in Corporate Governance and discovered that the laws' loopholes must be closed. Companies should not be left to rely on the constraints of clause 49 of the listing agreement to get away. The audit committee's role has been broadened to include oversight of risk management control systems in order to foster compliance with sound corporate governance principles.

Aggarwal (2017) used several statistical tests to investigate the impact of corporate governance on firm financial performance in an Indian context, concluding that a company's governance rating has a considerable beneficial impact on its financial performance.

According to Unadkat (2017), India has seen a number of enactments that have helped to strengthen governance rules and increase accountability through disclosures. Surprisingly, the Anglo-Saxon or Anglo-American form of corporate governance has influenced these shifts. However, in order to achieve the desired results in India, regulatory measures that are based on Indian norms and business environments must be implemented.

Standard & Poor's (2004) used the score card produced by Standard & Poor's to examine the disclosures about corporate governance standards among the major listed businesses in Indonesia, Singapore, Malaysia, Thailand, and Hong Kong. It highlighted the corporations who disclosed their corporate governance policies with the highest level of transparency. For example, in order to make an objective comparison, the study only looked at annual report disclosure. They discovered a lot of variance across the companies in the sample, and then they compared the disclosure policies to the top five companies in each country.

Bala N. Balasubramanian (2009) investigated the corporate governance procedures of Indian enterprises prior to the implementation of clause 49 of the listing agreement, which made corporate governance required for all listed companies. He gave a thorough analysis of the procedures of publicly traded companies in India, pointing out areas where governance is particularly strong or weak. He also looked at whether there is a cross-sectional relationship between governance and business performance, and found evidence of a positive relationship for both an overall governance index and a shareholder rights index. For more profitable companies and those with better growth prospects, the link is stronger.

Bernard S. Black (2009) looked at the corporate governance practises of Brazilian public firms to see where they were good and where they were weak. Many companies have small boards that are made up entirely or almost entirely of insiders or members of the controlling family or group. Even some of the world's largest corporations lack independent directors. The number of formal board processes is restricted. Audit committees are a rare sight. However, many businesses adopt a substitute for the fiscal board that does not need the audit committee to be staffed by independent directors.

In their study, Sanjay P. S. Dessai and Dr. I. Bhanumurthy (2010) attempted to assess the corporate governance and disclosure policies of 30 SENSEX businesses by studying annual reports for the financial year that ended on March 31, 2009. The composition of the Board of Directors, Audit Committee, and Shareholders Grievance Committee is the focus of this research. With the exception of one or two criteria, the survey determined that SENSEX businesses' corporate governance and disclosure policies are excellent.

By reviewing the annual reports of 50 Indian listed businesses, Arijit Sen (2011) intended to establish the extent to which Indian listed companies disclose their corporate governance policies. The determinants of disclosures have also been investigated. They came to the conclusion that there is a lot of room for improvement in corporate governance disclosure standards, and that the size of the organisation has a big impact on disclosures.

According to the rules of the International Financial Corporation and the Corporate Governance norms of the Securities and Exchange Board of India, Swati Patel and Rashesh Patel (2012) attempted to examine the level of corporate governance norms adhered to by large Indian IT businesses. They attempted to build a conceptual understanding of the relationship between numerous characteristics of a company's transparency and disclosures, as well as present comparative average scores on a score card for the previous three years of performance. It is an empirical analysis of the corporate governance features of high and low-performing corporations, with the research phase relying on data collected from the companies' annual report disclosures. Market capitalisation for the assessment year 2011-12 was used to determine the sample. The authors discovered a wide range of disclosure and transparency levels among Indian IT firms. The analysis demonstrates that, as per Clause 49 of SEBI's listing agreement, various firms have varied weight ages on the metrics evaluated.

RESEARCH OBJECTIVE

1. To study the concept of the corporate governance practices in India
2. To compare the discloser practices of corporate governance of selected Indian companies.

SAMPLE SIZE

In this study, researcher has taken 10 listed companies each from 10 Industries.

PERIOD OF THE STUDY

Listed Indian corporations' disclosure policies were studied over 5 years. The reports ranged from 2015-16 through 2019-20.

DATA ANALYSIS

1. DISCLOSURE PRACTICES OF ECONOMIC VARIABLES

ANOVA TABLE			
Source of Variation	Companies	Year	Total
SS	921.7600	11.6000	933.3600
df	9	90	99
MS	102.4200	0.1300	
F	794.6200		
P-value	1.06E-81		
F crit	1.9900		

The null hypothesis is rejected since the P value is less than 0.05, implying that there is a difference in the disclosure of economic variables between the ten industries studied.

2 DISCLOSURE PRACTICES OF ENVIRONMENTAL VARIABLES

ANOVA TABLE			
Source of Variation	Companies	Year	Total
SS	5898.7600	730.2000	6628.9600
df	9	90	99
MS	655.4200	8.1100	
F	80.7800		
P-value	3.2433E-39		
F crit	1.9900		

The null hypothesis is rejected since the P value is less than 0.05, implying that there is a difference in the disclosure of environmental variables between the ten industries studied.

3. DISCLOSURE PRACTICES OF SOCIAL-HUMAN RIGHTS VARIABLES

ANOVA TABLE			
Source of Variation	Companies	Year	Total
SS	0.3600	1.6000	1.9600
df	9	90	99
MS	0.0400	0.0200	
F	2.2500		
P-value	0.02557		
F crit	1.9900		

The null hypothesis is rejected since the P value is less than 0.05, implying that there is a difference in the disclosure of social - human rights factors between the ten industries studied.

4. DISCLOSURE PRACTICES OF SOCIAL-LABOR VARIABLES

ANOVA TABLE			
Source of Variation	Companies	Year	Total
SS	48.0100	294.1000	342.1100
df	9	90	99
MS	5.3300	3.2700	
F	1.6300		
P-value	0.117896		
F crit	1.9900		

Because the P value is greater than 0.05, the null hypothesis is accepted, and it is inferred that there is no difference in the disclosure of social-labor characteristics between the ten industries studied.

5. DISCLOSURE PRACTICES OF SOCIAL-SOCIETY VARIABLES

ANOVA TABLE			
Source of Variation	Companies	Year	Total
SS	2.2500	2.5000	4.7500
df	9	90	99
MS	0.2500	0.0300	
F	9.0000		
P-value	1.42E-09		
F crit	1.9900		

The null hypothesis is rejected since the P value is less than 0.05, implying that there is a difference in the disclosure of social-society factors between the ten industries studied.

CONCLUSION

To summarise, regulators might avoid demanding ambiguous or overly-generalized information and try to define exactly what kind of disclosures are required to improve the use of corporate governance disclosures. Regulators can, for example, include an annual questionnaire in a corporate governance code that questions corporations specifically about their compliance with the code's aspects. Similar to regulators issuing a thorough list of

disclosure standards to aid companies in compiling their report and help investors understand what information is needed from them.There are more than a million "listed" companies in India, making it important to India's economy and society at large for these markets to operate efficiently and well. In order to create and execute a dynamic CG mechanism that safeguards the interests of relevant stakeholders without impeding the expansion of businesses, it is essential to do it quickly. An important part of CG communication involves corporate disclosure, as meaningful and adequate information helps to promote "good" CG. There are many ways to communicate (both quantitative and qualitative) information to shareholders, potential shareholders, as well as other users besides publishing annual reports. Aside from that, "Although the release of an Annual Report is a mandated obligation, corporations generally reveal information in excess of the mandatory requirements," Eng and Mak (2003) note. Corporate management, on the other hand, is well aware that a properly-managed disclosure policy has economic benefits.Regardless of industry, all corporations exercise some form of corporate governance, at the very least, as stated in their annual reports, as a result of legally mandated obligations the interests of stakeholders have been cited as the key motivator behind good corporate governance measures. Based on the data analysis, it is concluded that significant difference is seen in discloser practices of corporate governance parameters amongst the companies taken under study except social-labor parameter of corporate governance.

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