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Corporate Governance

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Corporate Governance is the system by which the companies are directed and controlled by the management in the best interest of the stakeholders and other ensuring greater transparency and better and timely financial reporting.

Governance means doing everything better, to improve relation between companies and their Shareholders; to improve the quality if outside Directors; to encourage people to think long-term; to ensure that information needs of all stakeholders are met and to ensure that executive management is monitored properly in the interest of Shareholders.”



OBJECTIVES OF CORPORATE GOVERNANCE

- To enhance long term Shareholders value
- To Protect shareholders interest
- To conduct the affairs of the company in a manner that ensure fairness to customers, employees, investors, vendor. government etc.
- To Maximize shareholders value
- To build up confidence and increasing the thrust of stakeholders
- To enhance efficiency and effectiveness through fair and transparent means
- To shape the growth and the future capital market
- To Minimize securities scam

NEED AND IMPORTANCE OF CORPORATE GOVERNANCE

Need for Corporate Governance:

In the context of fast changing corporate and socio-economic landscapes, fast paced technological change and emergence of multilateral trading system the following factors underscore the need for good corporate Governance :

- Globalization, privatization, deregulation, etc.
- Advancements in information technology and E-Commerce.
- Strategic alliances, mergers and acquisitions
- Intellectual Property Rights.
- Social Responsibility, societal concerns.
- Business and professional ethics.
- Sustainable development.
- Energy audit; environment upgradation.
- Need for excellence to cope with fierce international competition.
- Need to strike a balance between compliance with rules and company's need to perform, so that company's is not stifled by over-regulation.

Importance of Corporate Governance:

- Expounds the need to adhere to ethical business practices.
- Stresses transparency of board matter-“arms length relationship” between the promoters / owners and the managers.
- Ensures that promoters remain potentially accountable and responsible to the shareholders, creditors, consumers and employees.
- Must, to gain credibility and trust.
- Keeps Companies focused on its objectives and accountable for its actions.
- Contributes to the efficiency of the Company’s business, creation of wealth and country’s economy.
- Strives to enhance board performance by emphasizing the contributions / appointment of professional directors.



TYPES OF CORPORATE GOVERNANCE

A] Corporate Governance by Rules & Regulations:

The rules and Regulations necessary to ensure fair treatment of the society may be enforced by yielding power by the external agencies; i.e., Government Authority. This is what is carried out in India by SEBI, DCA, ROC, RBI etc. Such Government agencies responsibility rests in framing rules and regulation to be followed by the companies and punish the defaulters.

B] Self Regulated Corporate Governance:

Here the requirement is that you consider that corporate entities are responsible and mature part of our society, give them freedom to makes its own rules and regulations, provide mechanism for self reward and punishment and let their performance be judged by an independent agency which present the interest of all those stockholders for whose benefit corporate entity exist.



Thanks