International Journal of Economic Research

ISSN : 0972-9380

available at http: www.serialsjournals.com

Volume 14 • Number 14 • 2017

Transparency in Corporate Disclosure Practices: Indian Perspective

Rajan Dhir[1] and S.K. Singla[2]

[1]*Research Scholar with I K Gujral Punjab Technical University, Kapurthala*

[2]*Director, GNA Institute of Management and Technology, Phagwara*

ABSTRACT

Corporate Governance can be termed as the most significant mechanism for managing the affairs of business corporations desirous of enhancing their longevity and build a sustainable competitive advantage. It underlines a close relationship between wide range of activities that relate to the manner the business corporations are directed and governed. Globally, the origin of corporate governance code is more than two decades old and since then many new dimensions have been appended to develop a system that could ensure sound governance of fairness and transparency. The contributions from Cadbury Committee, OECD (Organization for Economic Cooperation & Development), CII, and Kumara Mangalam Birla Committee etc., are highly remarkable for evolving a draft code for corporate disclosures. Though, OECD defines Corporate Governance as a system by which business organizations are directed and controlled but however, the mechanism for good governance and ethical compliance heavily depends upon organizational beliefs, culture and the mindset of the top order. In the Indian context, SEBI (Securities & Exchange Board of India), the market regulatory agency, has outlined many such norms in the listing agreement 49. It further segregates the norms into statutory and non-statutory types that need adherence by the listed companies. A large number of studies have concluded that the companies practicing good governance ultimately survive and achieve sustainable competitive advantage. Thus, Corporate Governance being the most powerful control measure in assessing a firm assumes additional significance for Indian companies due to spate of FDIs (Foreign Direct Investments) in the recent past. SEBI also has legislated that a separate chapter on corporate governance is included in the annual reports that should describe the compliance towards statutory and non- mandatory norms. This paper is an attempt to analyze the extent of compliance by the selected Indian listed companies towards statutory and non-statutory norms. Additionally, this research study also examines the impact of specific attributes such as company size and type of industry on overall compliance of governance norms.

Keywords: Corporate Governance, SEBI, Disclosure Practices, Annual Reports, Transparency, Corporate Social Responsibility, Foreign Direct Investment (FDI).

1. INTRODUCTION

The term "governance" takes its origin from the word "gubernare" meaning 'to direct, rule, guide or steer' (etymology dictionary). Corporate Governance was unheard of over the past many decades; its concept unearthed only after 1990 following the emergence of global economy to develop good governance mechanism to offset the practices that were highly questionable. It necessitated drawing of a conceptual framework to ensure that the company does justice to the interest of its stakeholders and dispenses with the imaginary and discretionary powers vested with the management. It underlines the need for a fair and ethical day-to-day working by the corporations and evokes great deal of interest due to its latent importance for the financial well being of the company. Corporate Governance despite its huge importance has been the most neglected area and it became obligatory to evolve a structure that can be self-imposing on the companies, circumventing financial mishaps only after many high magnitude corporate scandals and financial scams namely Texaco (Oil) 1987, Enron (Gas) 2001, World Com (Telecomms) 2002, Parmalat (Food) 2003, had left the investors in jittery. The governments of such countries relentlessly blamed the weak corporate governance structure. The primary concern was therefore to safeguard public investments in companies by keeping constant vigil on the functioning of corporates. As per World Bank Corporate Governance enables a company to garner best of financial and human capital and allows the company to perpetuate it by amassing long-term value for its shareholders and the society (World Bank, 2002). In simplest terms, it can be argued that doing everything right and in an ethical manner is the real essence of Corporate Governance. Over a span of time, Corporate Governance has undergone inexorable metamorphosis to accommodate various ascendants governing the basic implications that decide the integrity of the financial transactions. It entails therefore that corporate governance is a process in controlling the individual managers to refrain from activities that may prove detrimental in enhancing the shareholders' value.

Keeping in mind the above, the essence of Corporate Governance eventually reclines in promoting and maintaining integrity, transparency and accountability in the higher echelons of management. It will also be safe to assume that companies practicing governance mechanisms will ultimately survive and attain a sustainable competitive advantage in the current competitive world. Corporation Governance, though, can be defined in many ways but its definition by OECD, "a system by which business corporations are directed and controlled, spelling out the rights and responsibilities of board of directors and other stakeholders" aptly describes its domain. To interpret the underlying concept and meaning of this definition, one wonders if the compliance towards various norms depends upon the organizational culture and the mindset of the top hierarchy or on some other variable. The emergence of modern day Corporate Governance code is the result of persistent endeavor of various committees appointed by the governments that helped laying the foundation for contemporary framework of governance norms to circumvent instances of false reporting, insider trading and money laundering.

2. GLOBAL OVERVIEW OF CORPORATE GOVERNANCE

The United Kingdom has been pioneer in the field of corporate governance by appointing the Cadbury Committee in 1992, to evolve suitable Corporate Governance code. King's committee (2002), Sarbanes-Oxley Act (2002), OECD (Organization for Economic Cooperation & Development (2003), Turnbull, Higgs and Smith (2003) have also made remarkable contributions in this field by specifying rules and procedures for maintaining a complete transparency in disclosures of the financial affairs to enhance and protect the shareholder's interests which, all countries accepted unanimously. OECD encompasses Corporate Governance in the preamble of its principles as a system of relationship between company's management, its board, its shareholders and other stakeholders. The bigger challenge however lies in the earnest and judicious implementation of norms and rules for good governance. The analysis of Corporate Governance system in five BRICS countries of Brazil, Russia, India, China and South Africa (Agrawal V, 2013) highlights issue of corruption as a major restraint in implementing the legal framework of Corporate Governance norms. According to the survey by Mckinsey & Co, (2002), 78% of the professional investors agreed that they are willing to pay a premium for a well-governed company, *Global Investor Opinion Survey: key findings "New York"*.

There happens to be two categories of financial systems, the market-based system and the bank-based system exemplified by the British and American system and typified by Japan and Germany respectively. The market-based system dwells on distancing of ownership and control and is marked by the accountability of the Chairman of the board of directors to those shareholders who normally sell their shares to express their resentment towards inefficient management. In the bank-based system, corporations in Germany and Japan function quite differently. In Germany for instance, banks own shares in the company and usually have board representation. The Indian system however, acts as a combination of these two conflicting situations, although the basic corporate legal structure remains market-based, share ownership is far less dispersed and financial institutions confine themselves in financing the corporates rather than having board representation.

3. OVERVIEW OF CORPORATE GOVERNANCE IN INDIA

The Indian effort for developing corporate governance dates back to 1996 when CII (Confederation of Indian Industry) and ASSOCHAM (Associated Chambers of Commerce and Industry) established a special task force to devise code for corporate governance following large-scale scams by Vanishing Companies (1990), Harshad Mehta (1992) and Bhansali (1996). India's regulatory agency SEBI assumed a proactive role and appointed Kumara Mangalam Birla committee (2000) to fine-tune the recommendations of the above task force and develop a uniform code for corporate governance. However, the scams of UTI (1998) and Ketan Parikh (2001) proved further that the corporate governance code evolved so far was not sufficient to prevent financial mishaps. This forced SEBI to appoint N. R. Narayan Murthy committee (2003) to devise an imposing mechanism to curtail the imaginary functioning of corporations. SEBI, following the recommendations of various committees, enacted the Corporate Governance code as enunciated in Clause 49 of the listing agreement. The code is divided into mandatory and non-mandatory norms and is applicable for all listed corporations. It further requires the listed companies to include a separate chapter on corporate governance indicating the compliance towards both types of norms. Additionally the companies are required to annex a certificate from the auditors or by the company secretary with respect to compliance of corporate governance norms as outlined in this clause. The objective was to limit the reoccurrence of scams but however, the Satyam scam in 2008-09 exposed the weakness of governance mechanism. Notably Satyam's Board was fully compatible with all the requirements under Clause 49 with respect to independent directors nevertheless they all failed to detect the wrong doings. This amplifies the fact that good governance can emanate only if board of directors desire to do so. No law can ensure that a director asks the right questions in a board meeting, and no regulation can ensure that a whistle blower feels safe enough to report unethical behavior. Although it is mandatory to include a separate chapter on Corporate Governance in the annual reports by the listed companies but presumably, there is, still a large gap between what is being reported and what is followed. Agarwal (2014) categorically states that the business corporation being an inanimate body, cannot make or take decisions of its own but has to depend upon the group of individuals, commonly known as Directors to guide the company to achieve its strategic objectives. The individuals, at the helm, serving on multiple boards, need to devote sufficient time to discharge their functions with utmost integrity (Bhasin 2008) in the overall interests of its stakeholders and concludes that *the organization culture bears a great influence on the mindset and functioning of the top hierarchy*. The corporations therefore need governance in such a manner that major conflicting interests of the shareholders, society and the corporation are best reconciled. Currently, in India, though corporate governance codes have been drafted with a fair understanding of the governance standards but the governance reforms are at crossroads and call for developing more apposite solutions evolving from within to address the India-specific challenges. It is worthwhile to mention here that majority of research studies on disclosure practices are limited to few industries or small number of companies. Furthermore, most studies have examined the compliance towards mandatory norms but have not included the impact of specific characteristics such as industry type, board composition, audit committee and non-mandatory norms on the overall disclosure practices. It therefore necessitated that a comprehensive study of above norms be done to understand the sanctity of disclosure practices and extent of compliance towards both mandatory and non-mandatory norms by studying the disclosures as obtained from the annual reports. This paper, thus, attempts to study the extent of compliance by 50 Indian listed companies, from ten sectors, towards 54 items, which have been selected from the chapter on corporate governance in annual reports.

4. REVIEW OF LITERATURE

The available literature on corporate governance is abounding with large number of empirical studies outlining the extent of compliance for mandatory and non-mandatory governance norms.

The present study has reviewed both types of norms and attempts to fill the void left out in the earlier studies. Few studies relevant to the context of this paper are cited below:

Taruna and Arpit (2015) concludes that there exists a wide span for ideal state of governance after examining annual reports of 100 listed companies in BSE in their research titled “A Study on Corporate Governance Practices in India”. Gupta (2015) has stressed that the companies often disclose the information pertaining to statutory parameters but tend to overlook the compliance towards non-statutory ones in their annual reports. Roy (2014) in his study on “Corporate Governance Rating and its Impact on Firm Level Performance and Valuations” concludes that corporate governance has begun to make an impact but only relatively. Venkatraman and Selvam (2014) concluded that CG structure has created more opportunities and resources for better financial performance of major listed companies in the National Stock Exchange (NSE) but found no significant relationship between corporate governance and firm performance which also has been pointed out in earlier study by Karpagam (2013). However, Varghese (2013) in the abstract of Doctoral Dissertation on the subject of “Corporate Disclosure by Indian Companies” reports a significant difference between disclosure of Strategic Information (corporate strategy) and non-strategic information on items disclosed in annual report. Ahamed (2013), Joshipura (2011), Khlifi, Bouri (2008), have established a direct correlation between performance of a company and good governance while discussing the impact of CG practices on the performance of company. Vasanthi and George (2013), in the study based on 15 interviews, outline the role of Chairperson for articulating the role and participation of women directors in the company affairs. Mishra and Vishnani (2012) reveals that Corporate Governance norms announced on Mar 31, 2001 and subsequent amended in January 1, 2006 could not lower the market risk of A-group companies of BSE. Varghese (2012) evaluates 160 Indian and Multinational companies on 154 parameters relating to mandatory disclosures in annual reports of 2001-02 to 2003-04 and reveals that companies in their annual reports disclose only 41 parameters out of 154. Balasubramanian and George (2012) state that a firm is governed by internal and external governance mechanisms, the internal being the functioning of board of directors and executive compensations while external governance include external auditors and regulatory environment. The study concludes that board of directors play an important role in implementation of good corporate governance practices. Prasanna (2011) studied 100 companies out of 212 listed on BSE & NSE, to study CG practices.

The selected companies based on a score out of 110 concluded significant correlation between Governance and organizational effectiveness. Srinivasan and Srinivasan (2011) have outlined the status of corporate governance in Indian context by citing various studies conducted in this context by researchers. Srivastava (2011) mentions that type of ownership affects the key accounting and market performance of listed firms. Pahuja and Bhatia (2010) in their study on “Determinants of Corporate Governance Disclosure: Evidence from companies in Northern India” examined annual reports of 50 listed companies and concluded that there was a significant scope for improvement in the corporate governance disclosure practices and board size was a significant determinant of the disclosures. Rudra (2010) conducted study of 43 companies out of fortune 500 most valuable companies based on 32 parameters disclosed in their annual reports. Sen (2010) terms Corporate Governance as a system of structural and procedural safeguards enacted to ensure that a business corporation desirous of long-term sustainability follows the principles of fairness, transparency and ethics. Sareen and Chander (2009) in the empirical investigation on “Firms’ Attributes and Corporate Governance Disclosure Practices in India” found a positive correlation between selected attributes and extent of corporate governance disclosures. Shukla (2008) conducted a study on “Corporate Governance Practices by Indian Corporates” and based on reporting practices of 130 listed companies concludes that companies with more paid up capital have better disclosures. Pithadia (2007) in his research study “Knowledge of Corporate Governance and its possibility for Business Practices” concludes that small companies can begin their journey towards large scale by achieving corporate governance norms. Gupta (2006) in the study of Corporate Governance practices in selected companies in automobile sector of Haryana did not find any significant deviations in actual practices vis-à-vis prescribed norms in Clause 49. Gupta, Nair, and Gogula (2003) studied Corporate Governance practices of 30 selected Indian companies listed on BSE revealed variations in the reporting practices of companies and in few instances even omission of mandatory requirements of Clause 49. The study by Agrawal & Knoeber (1996), Borokhovich, Parrino & Trapani (1996) found that boards dominated with non-executive directors are better governed and monitored. The various studies conducted in the past have stressed that high quality of financial disclosures contributes in enhancing brand reputation, cohesiveness of corporate culture, mitigating frauds and avoiding litigations. Hence, the periodic review of the annual reports is necessary to monitor the progress made in judicious compliance of the governance norms.

Objectives of the Study

1. To assess the extent of company wise and category wise compliance towards disclosure norms in the annual reports of Indian listed companies
2. To examine the influence of market capitalization on the overall extent of compliance towards various norms of corporate governance grouped in each category

5. RESEARCH METHODOLOGY

I. There are 5788* listed companies on BSE and 1659* companies on NSE out of which 100 companies from different sectors with largest market capitalization as on 31st' March 2014 (Annexure 1) have been selected for the purpose of this study.

(http:#www.quora.com/In-total-how-many-companies-are-listed-withBSE-and-NSE)*

II. The 100 companies thus selected have been grouped alphabetically in ten sectors i.e. (1) Automobile, (2) Banking, (3) Capital Engineering, (4) Cement, (5) FMCG, (6) Information Technology (IT), (7) Metals, (8) Oil & Gas, (9) Pharma and (10) PSU (Public Sector Undertakings).

III. From each industry/sector, five companies, as per table below, have been selected thus making a sample of 50 companies (Roscoe Rule of Thumb 1975):

S.No.	*Industry*	*Name of Companies*
1	Automobile	Tata Motors, Bajaj Auto, Maruti Suzuki, Mahindra & Mahindra, Hero MotoCorp
2	Banking	HDFC Bank, State Bank of India, ICICI Bank, Axis Bank, Kotak Mahindra Bank
3	Capital Engg	Larsen & Toubro, BHEL, Siemens India, ABB India, Cummins India
4	Cement	ACC Ltd., Ultra Tech Cements, Grasim Industries, Ambuja Cements, Shree Cement
5	FMCG	ITC, Hindustan Unilever, Dabur India, Nestle India, Colgate Palmolive Ltd
6	IT	Infosys, Tata Consultancy Services, WIPRO, HCL Technologies, Tech Mahindra
7	Metals	Tata Iron & Steel, Steel Authority of India, Hindalco, Hindustan Zinc, NMDC Ltd
8	Oil & Gas	ONGC Ltd., Reliance Industries, Indian Oil Corpn., Cairn India, GAIL India
9	Pharma	Sun Pharma, Lupin India, Cipla Ltd., Dr. Reddy's Lab, Ranbaxy India
10	PSU	Coal India, NTPC Ltd., Power Grid Corpn of India, Oil India, NHPC Ltd

IV. The current study meant to examine the extent of compliance is based on the scrutiny of the secondary data available in the annual published reports ending 31st March 2014, data mined from the official website of the respective company.

V. On review of the annual reports, 54 items of mandatory and non-mandatory nature, available in Annexure 2, highly significant in context of this study have been identified as per researcher's judgment and are grouped under *six broad categories* (Table I).

VI. 36 out of 54 items have been assigned a score of either 0 or 1 depending upon the extent of compliance reported in the annual reports and the remaining 18 items carry a score of 1 for least disclosure, 2 for moderate disclosure and 3 for highest disclosure (Annexure 2).

VII. The current study further attempts to correlate the ranks obtained on the basis of actual scores with that of the rank obtained on the basis of market capitalization for the year 2013-14.

VIII. Based on the above scoring pattern, the maximum score a company can obtain is 90 if it has the highest compliance, as is evident from Table 1.

Table 1
Item wise Scoring Methodology

S.No.	*Category*	*No. of items Studied*	*Items with maximum score of 1*	*Items with maximum score of 3*	*Maximum Score*
1	Composition of Board of Directors	13	7	6	25
2	Board Meetings & Procedure	9	6	3	15
3	Non Mandatory Requirements	10	10	X	10
4	Board Committees'	5	5	X	5
5	Audit Committee	8	2	6	20
6	Remuneration Committee	9	6	3	15
Total		54	36	18x3=54	90

6. RESULTS AND DISCUSSION

The objectives and research methodology of the study have been stated above. This section seeks to rank the industries based on extent of compliance towards the corporate governance norms, and will determine the best performing industries in the order of their overall compliance. It will also attempt to analyze the company wise extent of compliance towards all the six categories to differentiate between best and average compliance. It will further examine the impact of specific attributes such as market capitalization towards extent of compliance.

(A) Industry wise/Category wise Rankings based on Compliance Scores

Table 2 indicates industry wise and category wise rankings, based on the scores obtained by each category. As can be observed, the average industry compliance is 79.07 percent and there are only six industries out of ten i.e. 60 percent have scored better than industry average compliance scores.

The six industries scoring better than the industry average of 79.07% are IT with 82.66%, Automobile and PSU with 81.77%, FMCG and Banking with 80.88% and Cement with 79.77%. On further scrutiny, it can be seen that other four industries; Oil & Gas 78.88%, Metals 75.55%, Pharma and Capital Engineering 74.22% are below the industry average.

In respect of individual industry, IT tops the list with 1^{st,} rank followed jointly by Automobile and PSUs with 2^{nd,} rank while 3^{rd,} rank is shared by Banking and FMCG. The 4^{th,} rank goes to Cement and 5^{th,} rank is obtained by Oil & Gas. The Metals industry attains 6^{th,} rank while 7^{th,} rank is shared by the Capital Engineering and Pharma industries.

Category wise Overall Compliance

Among all the six categories, Category V of Audit Committee shows best compliance of 91.6% and attains 1^{st,} rank followed by category IV of Board Committee with 85.6% compliance at 2^{nd,} rank. The 3^{rd,} rank is captured by category II of Board meetings with overall compliance of 82.7 percent.

Table 2
Industry wise/Category wise Compliance Score

S. No.	Industry	I Board Composition	II Board Meetings	III Non Mandatory	IV Board Committee	V Audit Committee	VI Remuneration Committee	Max Score	Achieved Score	% age	Rank
1	I T	90	66	35	22	97	62	450	372	82.66	1
2	Automobile	95	64	29	24	90	66	450	368	81.77	2
3	PSU	100	63	39	21	95	50	450	368	81.77	2
4	Banking	96	67	31	23	86	61	450	364	80.88	3
5	FMCG	92	62	32	24	91	63	450	364	80.88	3
6	Cement	98	54	30	23	88	66	450	359	79.77	4
7	Oil and Gas	85	65	35	21	92	57	450	355	78.88	5
8	Metals	96	58	27	15	97	47	450	340	75.55	6
9	Capital Eng	89	60	25	23	86	51	450	334	74.22	7
10	Pharma	83	61	29	18	94	49	450	334	74.22	7
All Industries actual Score		924	620	312	214	916	572	4500	3558	79.07	
All Industries applicable Score		1250	750	500	250	1000	750				
% age		73.9	82.7	62.4	85.6	91.6	76.3				
Rank		5	3	6	2	1	4				

Category VI of Remuneration committee indicates a compliance of 76.3% and takes 4th' rank while 5th' rank goes to Category I of Board composition with a compliance of 73.9%. The least 6th' rank is obtained by category VI of Non mandatory norms with 62.4% compliance.

(B) Industry wise Market Capitalization Ranking and Overall Compliance Ranking

Table 3 as under indicates rankings for each of the ten industries based on market capitalization and their overall compliance rank. The rank correlation method, that determines strength and direction of relationship, has been used to ascertain the mutual relationship between market capitalization and compliance ranks. The market capitalization figures for 100 companies are indicated in Annexure 2.

Table 3
Industry wise Rankings & Overall Compliance Ranking at a Glance

S. No.	Industry	Market Capitalization Value * INR Cr	Market Capitalization Rank DV	Overall Compliance Rank IDV
1	IT	9,42,066	1	1
2	Oil & Gas	8,65,172	2	5
3	Banking	7,00,237	3	3
4	FMCG	5,21,353	4	3

S. No.	Industry	Market Capitalization		Overall Compliance Rank IDV
		Value * INR Cr	Rank DV	
5	PSU	4,67,495	5	2
6	Automobile	3,86,896	6	2
7	Pharma	2,99,397	7	7
8	Capital Engg	2,66,284	8	7
9	Metals	2,49,605	9	6
10	Cement	1,82,756	10	4
Total Market Capitalization		48,81,261		

Rank Correlation at 10% level of significance
$r = 0.5606$
*http;#bt500.businesstoday.in/?year=2014&comp

The results at 10% level of significance indicate that both the variables are positively and moderately correlated signifying their mutual dependence. The regression was run to test the influence of overall compliance ranks on market capitalization ranks. The result (Table 4) highlighted that regression model is fit at 10% level of significance (F = 4.46, P = 0.07). The overall compliance rank explained 38.91% variation in the market capitalization rank.

Table 4
Regression Output

	β	*t value*	*P value*
Intercept	2.67	1.56	0.16
Overall compliance Rank	0.57	2.11	0.07

The above table shows that the regression coefficient of overall compliance rank (β = 0.057, P = 0.07) is significant at 10% level. This result highlights that the relation between overall compliance ranks and market capitalization ranks is positive i.e. if we increase overall compliance ranks by one unit, this would increase market capitalization ranks by 0.57 times.

(D) Individual Category wise Ranking

Table 5 provides two kinds of informations; the rank obtained by each category in each industry and rankings of individual industry based on market capitalization data. To understand the impact of market capitalization on the individual category compliance, the rank correlation coefficients have been calculated to assess the effect of market capitalization variable on the other variable of compliance rank of each category. The coefficient values are indicated against each category as per the following Table 5.

The rank correlation figures of 0.124 and 0.11 for category I and Category II respectively are indicative of the fact that there is no significant impact of market capitalization on Category I of Board Composition and Category II of Board meetings. The remaining categories of Corporate Governance are significantly associated with market capitalization. Thus, it is evident from this analysis that good compliance of Corporate Governance will lead to high market capitalization in future.

Table 5
Industry wise Ranking of Market Capitalization & Category of CG Compliance

S. No.	*Industry*	*Market Cap*	*Category I Board Composition*	*Category II Board Meeting*	*Category III Non mandatory*	*Category IV Board Committee*	*Category V Audit Committee*	*Category VI Remuneration Committee*
		Rank	*Rank*	*Rank*	*Rank*	*Rank*	*Rank*	*Rank*
1	Automobile	6	4	4	6	1	5	1
2	Banking	3	3	1	4	2	7	4
3	Capital Engg	8	7	8	8	2	8	6
4	Cement	10	2	10	5	2	6	1
5	FMCG	4	5	6	3	1	6	2
6	IT	1	6	2	2	3	1	3
7	Metals	9	3	9	7	6	1	9
8	Oil & Gas	2	8	3	2	4	4	5
9	Pharma	7	9	7	6	5	3	8
10	PSU	5	1	5	1	4	2	7
	r^s		$r = 0.124$	$r = 0.11$	$r = -0.42^{**}$	$r = 0.63^{*}$	$r = -0.73^{*}$	$r = 0.64^{*}$

*significant at 5% level of significance
**significant at 10% level of significance

(E) Company wise Compliance and Ranking

The individual compliance scores of each of the 50 companies are available in Annexure 3. Out of 50 companies, 28 companies i.e. 56% have shown compliance better than industry average. The remaining 22 companies (44%) have compliance scores less than the industry average of 79.07%. However, the most valuable companies in the order of their compliance scores are ITC (90%) with 1st' rank, Tata Motors (88.9%) with 2nd' rank, Wipro (87.8%) with 3rd' rank and TCS (86.7%) with 4th' rank. There are five companies at 5th' rank with 85.5% compliance namely Hindustan Unilever Ltd (HUL), Tata Iron and Steel Co. Ltd (TISCO), Axis Bank, Dr. Reddy's Labs Ltd., and Ambuja Cements Ltd. The other notable companies exceeding the industry average of compliance are: NHPC with at 6th' rank, Reliance Industries, State Bank, Maruti Suzuki, Power Grid, Oil India and ACC ltd., stand at 7th' rank with a compliance score of 83.3%. The status of all other companies is available in annexure 3.

7. CONCLUSION

Keeping in view the above results one can safely conclude that those companies, which follow the corporate governance practices in letter and spirit, are able to create value for itself and for its shareholders. The companies following the stringent corporate governance mechanism become cynosures for foreign investors desirous of parking their investments for safety and good returns. For all such organizations the possibilities of an upsurge in the market capitalization is quite likely in the near future.

Limitations of the Study

The following are the limitations of the study:

1. This study focused only on 50 companies from ten sectors.
2. This study focused on 54 parameters grouped under six categories disclosed by the companies in their annual report for the year ending 31st March 2014.
3. This study was based on the analysis of secondary data taken from annual report of each company for the year ending on 31st' March 2014.

Scope for Future Research

1. A study with identical objectives can be carried out for subsequent financial years with more companies and from other sectors
2. A similar study can be conducted with those parameters that have been left out in this study
3. A study on firm's activities towards social obligations be conducted
4. A study on the relationship between good governance and flow of foreign direct investments can be made

References

Afsharipour, Afra., (2010). "The Promise and Challenges of India's Corporate Governance Reforms", Retrieved from: http://ssrn.com/abstract=1640249.

Agrawal, Vidhi., (2013), "The New BRICS on The Block- A Comparative Analysis of Corporate Governance System", Aayam, AKGIM Journal of Management, Ghaziabad, 3 (182), pp 23-33.

Ahamed, Naseem., (2013). "The Impact of Corporate Governance Practices On The Performance of Company", MAIMT Journal of IT & Management, 7(1), pp 9-21.

Balasubramanian, N., Black, Bernard. S., Khanna, Vikramaditya. S., (2008). "Firm Level Corporate Governance in Emerging Markets: A Case Study of India", retrieved from: http://ssrn.com/abstract=992529.

Batra, G.S., Kaur, Narinder., Madan, Meenakshi, Chopra., (2013), "Measurement of Corporate Governance in Indian Banks using CG Index", PIMT Journal of Research, 5(2), pp 1-8.

Barua, K., (2002). "Corporate Governance and Ethics", Management Review, IIM, Bangalore, 14(4), pp 8.

Bhasin, Madan., (2008). "Using 'Dharma' in Corporate Governance: Problem of Increasing Transparency in the Asian Countries", GITAM Journal of Management, 6 (4), pp 52-81.

Black, B., Khanna, V., (2007). "Can Corporate Governance Reforms Increase Firms' Market Values?, Evidence From India", Journal of Empirical Legal Studies, 4(4), pp 749-796. Retrieved from: http://ssrn.com/abstract=914440.

CII (1998). "Desirable Corporate Governance: A Code", Retrieved from http://www.nfcgindia.org/desirable_corporate_governance_cii.pdf.

Black, B., Khanna, V., (2007). "Can Corporate Governance Reforms Increase Firm's Market Values? Evidence From India", Journal of Empirical Legal Studies, 4(4), pp 749-796. Retrieved from: http://ssrn.com/abstract=914440.

Cheffins, Brian. R., (2011). "The History of Corporate Governance", Retrieved from: http://ssrn.com/abstract=1975404.

Gupta, Ambrish., (2015). "Compliance with Non-Mandatory (Voluntary) Norms of Corporate Governance: Evidence From India", Indian Journal of Finance, 9 (3), pp 7-23.

Joshipura, Kamlesh, P., (2011). "A Study of Corporate Disclosure Practices of Indian Corporate", Management Trends, Saurashtra University, 8 (1), pp 13-28.

Karpagam, V., Murugesan, S., (2014). "Corporate Practices and Firm Performance: An Empirical Study", Indian Journal of Finance, Vol. 8, No. 12, December 2014, pp 34-45.

Khlifi, Foued., Bouri, Abdelfettah., (2008). "Corporate Governance and Voluntary Disclosures: Empirical Study Using Backward Regression", Finance India, Indian Institute of Finance, XXII (3), PP 937-956.

Misra Dheeraj, Vishnani Sushma., (2012), Impact of Corporate Governance Regulation on Market Risk, Vikalpa, IIM Ahmedabad, Vol. 37, No 2, Apr-Jun12, 19-32.

Muruguan, Sakthivel, M., (2011). "A Study on Corporate Governance Practices in Indian Corporate Public and Private Sector", Oorza, Journal of Management & IT, Jaipur, 8, pp 19-25.

Narayana Murthy Committee Report, (2003) "Report of the SEBI committee on Corporate Governance" Retrieved from http://www.sebi.gov.in/commreport/corpgovt.pdf.

OECD: Organization for Economic Cooperation and Development (2003), "White Paper on Corporate Governance in Asia.

Pahuja, A., Bhatia, B.S., (2010). "Determinants of Corporate Governance Disclosures: Evidence from Companies in North India", IUP Journal of Corporate Governance, 9 (3), pp 69-88.

Pithadia, Vijay (2007) "Knowledge Of Corporate Governance and Its Possibility for Business Practices" Pranjana, Integrated Academy of Management & Technology, Ghaziabad, 10(1), pp. 79-84.

Prasanna P. Krishna., (2011), "Corporate Governance in India-An Assessment of Implementation and Effectiveness Based on Selected Corporate Units", Finance India, Indian Institute of Finance, Volume XXV, Number 1, March 2011, pp 215-221.

Ragini., (2012), "Corporate Disclosure of Intangibles: A Comparative Study of Practices among Indian, US, and Japanese Companies", Vikalpa, IIM Ahmedabad, India, Volume 17, Number 3, July-September 2012, 51-72.

Rathod, R., Dalvadi, Y., (2008). "Non Statutory Disclosure in India: An Analysis of Selected Companies", The Journal of Indian Management & Strategy, 13 (2), pp 113-132.

Roy, Amitava., (2014), "Corporate Governance Rating and its Impact on Firm Level Performance and Valuations", Delhi Business Review, 15 (2), pp 71-79.

Rudra, Titas., (2010), "Voluntary Disclosure Practices And FII Flows; A Study of Selected Indian Firms", Indian Journal Of Finance, 4(12), pp 21-28.

Sareen, V, K., Chander, S., (2009). "Firm's Attributes and Corporate Governance Disclosure Practices: An Empirical Investigation", Indian Journal of Corporate Governance, 2(1), pp117-137.

Sen, Saraswati., (2010). "Corporate Governance –The Need for Long Term Sustainability", Indian Management Studies Journal, 14 (2010), pp 159-170.

Shukla, Hitesh., (2008). "Corporate Governance Practices by Indian Corporates", Asia-Pacific Business Review, IV (3), pp 124-129.

Srinivasan, P., Srinivasan, V., (2011). "Status of Corporate Governance Research on India: An Exploratory Study", Indian Institute of Management, Bangalore, Working paper 334, 1-26.

www.iimb.ernet.in/research/working-papers/working-papers-11?page=1.

Taruna., Arpit., (2015). "A Study on Corporate Governance Practices in India", International Journal of Applied Research, 1 (9), 815-821.

Timane, Rajesh., Tale, Tushar., (2012). "A Study of Corporate Governance in India", Retrieved from: http://ssrn.com/abstract=2190485. [Accessed on July 5, 2015].

Varghese, Roshna., (2013). "Corporate Disclosure by Indian Companies" Finance India, Indian Institute of Finance, XXVII (3), pp 937-944.

Venkatraman, Karpagam., Selvam, Merugesan., (2014), " Impact of Corporate Practices and Firm Performance: An Empirical Study", Indian Journal of Finance, 8(12), pp 34-458).

Annexure 1

Market Capitalization as on 31st' March 2014 (http;#bt500.businesstoday.in/?year=2014&comp)

Rank	*Company*	*Market Cap (Rs.Cr)*	*Rank*	*Company*	*Market Cap (Rs.Cr)*
1	TCS Ltd	463,203	51	Power Finance Corpn Ltd	34,436
2	ONGC Ltd	339,456	52	Oil India Ltd	34,339
3	Reliance Industries Ltd	326,884,	53	DLF Universal Ltd	33,759
4	ITC Ltd	275,711	54	Hindalco Ltd	33,689
5	Coal India Ltd	224,846	55	Punjab National Bank	33,208
6	HDFC Bank	194,849	56	Ambuja Cements Ltd	33,205
7	Infosys Ltd	191,877	57	Siemens India Ltd	30,496
8	State Bank of India	182,164	58	Grasim Industries Ltd	29,840
9	ICICI Bank	165,586	59	Godrej Consumer Ltd	29,487
10	HDFC	153,742	60	Rural Electrification Corpn	29,278
11	Sun Pharma Ltd	145,869	61	Titan Industies Ltd	29,275
12	Bharti Airtel Ltd	141,663	62	Indus Ind Bank Ltd	29,208
13	L & T Ltd	141,647	63	JSW Steel Ltd	29,157
14	HUL India Ltd	140,181	64	Motherson Sumi India Ltd	29,137
15	WIPRO Ltd	134,111	65	R Com Ltd	28,724
16	Tata Motors Ltd	125,624	66	Oracle Financial Services Ltd	27,109
17	NTPC Ltd	116,568	67	Zee Entertainment Ltd	27,097
18	HCL Technologies Ltd	104,331	68	ACC Ltd	26,873
19	Axis Bank	86,971	69	Tata Power Ltd	25,519
20	Indian Oil Corpn	81,260	70	Jindal Steel Industries Ltd	25,413
21	Sesa Industries Ltd	78,404	71	NHPC Ltd	25,132
22	Mahindra & Mahindra Ltd	74,684	72	Shree Cements Ltd	24,827
23	Maruti Suzuki India Ltd	74,485	73	Reliance Power Ltd	24,259
24	Kotak Mahindra Bank	70,667	74	Container Corpn of India	23,214
25	Ultra Tech Cement Ltd	68,011	75	Eicher Motors Ltd	22,379
26	NMDC Ltd	67,247	76	Ranbaxy Labs Ltd	22,301
27	Power Grid Corpn Ltd	66,610	77	Cadilla Healthcare Ltd	22,136
28	Hindustan Zinc Ltd	65,872	78	Yes Bank	21,332
29	Cairn India Ltd	64,077	79	ABB India Ltd	21,212

Rank	*Company*	*Market Cap (Rs.Cr)*	*Rank*	*Company*	*Market Cap (Rs.Cr)*
30	Bajaj Auto Ltd	61,740	80	GSK Pharma Ltd	21,173
31	Asian Paints Ltd	55,517	81	IDFC Ltd	20,803
32	BHEL	55,288	82	Aurobindo Pharma Ltd	20,595
33	GAIL India Ltd	53,495	83	Colgate Palmolive India Ltd	20,464
34	Idea Cellular Ltd	51,453	84	Shriram Transport Fin Ltd	20,096
35	Adani Ports & SEZ Ltd	51,201	85	GSK Consumer Care Ltd	19,812
36	Adani Enterprises Ltd	51,141	86	United Breweries Ltd	19,631
37	Hero Motor Corp Ltd	50,363	87	DIVIS Labs Ltd	19,267
38	Nestle India Ltd	50,332	88	Bank of India	17,841
39	Lupin India Ltd	49,147	89	A V Nuvo India Ltd	17,767
40	Tech Mahindra Corpn Ltd	48,544	90	Reliance Infra Ltd	17,759
41	Tata Iron & Steel Co. Ltd	48,244	91	Canara Bank	17,652
42	Bharti Infratel Ltd	47,307	92	Cummins India Ltd	17,641
43	Dr Reddys Labs Ltd	45,805	93	Pidilite Industries Ltd	17,586
44	Bharat Petroleum Corp	41,705	94	Glen Mark Pharma Ltd	16,855
45	Bosch India Ltd	39,967	95	Castrol India Ltd	16,555
46	Bank of Baroda	37,169	96	Marico Industries Ltd	15,977
47	United Spirits Ltd	37,046	97	Adani Power Ltd	15,890
48	Cipla Ltd	36,275	98	Sun TV Network India Ltd	15,777
49	Dabur India Ltd	34,665	99	LIC Housing Finance Ltd	15,301
50	Steel Authority of India	34,553	100	Mahindra & Mahindra Fin lt	15,226

Annexure 2

Category wise/Item wise Score Card of Disclosed Items in Annual Reports

I	*Composition of Board of Directors*			*Max Score 25*	
1	1. Total Strength		14 more (3)	11 to 13 (2)	6 to10 (1)
2	2. No. of Executive Directors		Up to 2 (3)	3 to 5 Dir (2)	> 5 (1)
3	3. No. of Non-executive Directors		6 or above (3)	4 or 5 (2)	3 or less (1)
4	4. No. of Independent Directors		8 or above (3)	5 to 7 (2)	4 or less (1)
5	5. Chairman of Board Of Directors		Ind Director (3)	Non Ex (2)	Ex Dir (1)
6	6. Director's Profile			Yes (1)	No (0)
7	7. Woman Director	Independent Dir (3)	Non Ex Dir (2)	Ex Dir (1)	No (0)
8	8. Director's Shareholding in the company			Yes (1)	No (0)
9	9. Directorship held in other companies			Yes (1)	No (0)
10	10. Directorship held in various Committees			Yes (1)	No (0)
11	11. Evaluation Mechanism for Independent Directors			Yes (1)	No (0)
12	12. Code of conduct for Directors & other management staff			Yes (1)	No (0)
13	13. Stock Options granted to Independent Directors			Yes (1)	No (0)

II	*Board Meetings and Procedure*		*Maximum Score 15*	
14	1. Total No. of Meetings held in a year	6 or more (3)	4 to 5 (2)	Only 4 (1)
15	2. Chairman's presence in Board Meetings	All Meetings (3)	All but 1 (2)	All but 2 (1)
16	3. Director absence at AGM 2 ≤ absent (3)	3 absent (2)	4 absent (1)	> 4 absent (0)
17	4. Agenda circulated in advance		Yes (1)	No (0)
18	5. Meeting of Ind Directors without Ex Director Presence		Yes (1)	No (0)
19	6. Board Material Distributed in Advance		Yes (1)	No (0)
20	7. Post Board Meeting Follow up Mechanism		Yes (1)	No (0)
21	8. Compliance Officer Details		Yes (1)	No (0)
22	9. Lead Independent Director		Yes (1)	No (0)
III	*Non-mandatory Requirements*		*Maximum Score 10*	
23	1. Declaration about Compliance on Mandatory Requirements		Yes (1)	No (0)
24	2. Details of Related Party Transactions		Yes (1)	No (0)
25	3. Maintenance of Chairman/N Ex Dir office		Yes (1)	No (0)
26	4. Training & Orientation of Board Members		Yes (1)	No (0)
27	5. Code for Prevention of Insider Trading		Yes (1)	No (0)
28	6. Succession Planning		Yes (1)	No (0)
29	7.Adoption of Whistle Blower Policy		Yes (1)	No (0)
30	8. Appointment of Ombudsman for access by employees		Yes (1)	No (0)
31	9. SEBI Complaints Redress System (SCORES)		Yes (1)	No (0)
32	10. Statement on Audit Qualification		Yes (1)	No (0)
IV	*Board Committees Details*		*Maximum Score 5*	
33	1. Audit Committee		Yes (1)	No (0)
34	2. Remuneration Committee		Yes (1)	No (0)
35	3. Investors' Grievance Committee		Yes (1)	No (0)
36	4. Risk Management Committee		Yes (1)	No (0)
37	5. CSR committee		Yes (1)	No (0)
V	*Audit Committee*		*Maximum Score 20*	
38	1. Number of Directors in the committee	4 & more (3)	Only 3 (2)	< 3 (1)
39	2. Independent/Non Ex Directors %age	Over 75% (3)	60 to 75% (2)	Over 60% (1)
40	3. Meetings of Audit Committees	6 & more (3)	5meetings (2)	4 & less (1)
41	4. Chairman of Audit Committee	Ind Dir (3)	Non-Ex (2)	Ex Dir (1)
42	5. Attendance Audit Committee Chairman	100% attendance (3)	>75% (2)	< 75% (1)
43	6. Attendance Audit Committee members	All meetings (3)	>75% (2)	< 75% (1)
44	7. Presence of Chairman of Audit Committee during AGM		Yes (1)	No (0)
45	8. Financial Literacy of Audit Committee Members		Yes (1)	No (0)
VI	*Remuneration Committee*		*Maximum Score 15*	
46	1. Number of Directors in the committee	4 & more (3)	Only 3 (2)	Less than 3 (1)
47	2. Number of Meetings held	4 & more (3)	3 meetings (2)	2 & Less (1)
48	3. Chairman of the Committee	Non Ex Director (3)	Ind Dir (2)	Ex Director (1)
49	4. Disclosure of Remuneration of Ex Director/Managing Director		Yes (1)	No (0)
50	5. Disclosure of Remuneration of Non Ex Director remuneration		Yes (1)	No (0)
51	6. Disclosure about Sitting fee Details for Independent Directors		Yes (1)	No (0)
52	7. Disclosure about Commission paid to Independent Directors		Yes (1)	No (0)
53	8. Details about Equity shares held by Directors		Yes (1)	No (0)
54	9. Disclosure about Pecuniary Relationship		Yes (1)	No (0)

Annexure 3
Company wise Compliance Score/Ranking

S. No.	*Market Cap Rank*	*Company*	*Industry*	*Actual Score*	*Max Score*	*%age*	*Rank*
1	4	ITC	FMCG	81	90	90.0	1
2	16	Tata Motors	Automobile	80	90	88.9	2
3	15	WIPRO	IT	79	90	87.8	3
4	1	TCS	IT	78	90	86.7	4
5	14	HUL	FMCG	77	90	85.5	5
6	19	Axis Bank	Banking	77	90	85.5	5
7	41	TISCO	Metal	77	90	85.5	5
8	43	Dr Reddy's Labs	Pharma	77	90	85.5	5
9	56	Ambuja Cement	Cement	77	90	85.5	5
10	71	NHPC	PSU	76	90	84.4	6
11	3	Reliance Industries	Oil & Gas	75	90	83.3	7
12	6	HDFC Bank	Banking	75	90	83.3	7
13	8	State Bank of India	Banking	75	90	83.3	7
14	23	Maruti Suzuki	Automobile	75	90	83.3	7
15	27	Power Grid	PSU	75	90	83.3	7
16	52	Oil India	PSU	75	90	83.3	7
17	68	ACC Ltd	Cement	75	90	83.3	7
18	9	ICICI Bank	Banking	74	90	82.2	8
19	13	L & T	Capital Engg	74	90	82.2	8
20	22	Mahindra & Mahindra	Automobile	74	90	82.2	8
21	29	Cairn India	Oil & Gas	74	90	82.2	8
22	30	Bajaj Auto	Automobile	74	90	82.2	8
23	2	ONGC	Oil & Gas	73	90	81.1	9
24	7	Infosys Ltd	IT	73	90	81.1	9
25	17	NTPC	PSU	73	90	81.1	9
26	40	Tech Mahindra	IT	73	90	81.1	9
27	49	Dabur India	FMCG	73	90	81.1	9
28	57	Siemens India	Capital Engg	72	90	80	10
29	20	Indian Oil	Oil & Gas	71	90	78.9	11
30	25	Ultra Tech Cements	Cement	71	90	78.9	11
31	58	Grasim Ind	Cement	71	90	78.9	11
32	76	Ranbaxy	Pharma	71	90	78.9	11
33	26	NMDC	Metal	70	90	77.8	12
34	5	Coal India	PSU	69	90	76.7	13
35	18	HCL Technologies	IT	69	90	76.7	13
36	50	SAIL	Metal	68	90	75.5	14
37	38	Nestle India	FMCG	67	90	74.4	15
38	54	Hindalco	Metal	67	90	74.4	15

S. No.	*Market Cap Rank*	*Company*	*Industry*	*Actual Score*	*Max Score*	*%age*	*Rank*
39	79	ABB Industries	Capital Engg	66	90	73.3	16
40	83	Colgate	FMCG	66	90	73.3	16
41	37	Hero MotoCorp	Automobile	65	90	72.2	17
42	39	Lupin India	Pharma	65	90	72.2	17
43	72	Shree Cements	Cement	65	90	72.2	17
44	24	Kotak Mahindra Bank	Banking	63	90	70	18
45	32	BHEL	Capital Engg	63	90	70	18
46	33	GAIL	Oil & Gas	62	90	68.9	19
47	11	Sun Pharma	Pharma	61	90	67.8	20
48	48	Cipla	Pharma	60	90	66.7	21
49	92	Cummins India	Capital Engg	59	90	65.5	22
50	28	Hind Zinc	Metal	58	90	64.4	23
All Companies Total				3558	4500	79.07	