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The Role of Stakeholders in Corporate Governance Process

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Abstract—*Corporate governance has emerged as a big issue in corporate sector due to the scams and scandals that are taking place to maintain equilibrium between economic and public goals and also individually and collective goals.*

The present paper is concerned with the role of stake holders in corporate governance process also the importance of each stakeholder in knowing about the disclosure level in the corporate governance process.

The overall conclusion of the paper is that stakeholders should contribute their portion with responsibility as it represents value frame work, ethical frame work, and moral frame work of the present day global business.

1. INTRODUCTION

In India the concept of corporate governance which focuses on accountability and transparency in the system like Investment decisions for a common person like share holders (who invest in the company), creditors (who fund the company by way of loans), financial analysts (who analyze the company position in the market) and security consultants (who offer consultancy on the buying of shares and securities) of the company is based upon the disclosure made through corporate governance only.

The concept of corporate governance has come into force in India in the year 2006 after clause 49 was revised which is mandatory for all listed companies and which directly leads to maximization of share holder's wealth resulting in higher valuations of shares of the organization. Investors always like to invest in well managed companies at large.

2. BACKGROUND

The first person to disclose the Corporate Governance which came into existence in USA in the year 2002 is Sarbanes – Oxley.

As per SEBI report disclosure is done by listed companies based upon the listing agreement but the contents are not adequate and are inaccurate on which investors make decisions to invest

In the words of prithvi Haldea the information provided must be accurate and complete as it forms main crux for markets and shareholders.

3. IMPORTANCE OF RESEARCH

Corporate Governance acquired importance on account of lack of transparency and poor disclosure procedure in the final accounts of the corporate world which has shattered the stake holder's confidence to a large extent. In the year 2004 new corporate governance code was introduced in India.

4. STAKEHOLDERS

The responsibility, role and challenges of the various stakeholders is as follows

Shareholders

The market works with two types of shareholders, viz. institutional shareholders and Individual shareholders, according to the articles of association of the company and as per law the basic rights are as follows

a) Right to have a share certificate issued for the shares held with them in a company
b) The right to inspect the number of shares held by them in the company from time to time
c) The right to attend share holders and general meetings
d) The right to vote at the meetings
e) The right to freely express opinions at the share holders meetings
f) The right to receive a fair return on the shares held with them
g) Corporate governance in addition to these gives the right to ownership for the portion of the shares held with them individually in the company
h) Corporate governance also gives the share holders to make suggestions and comments on the company affairs in the form of independent directors nominated collectively by them to the board

Board of Directors

The Board of Directors who has to deal with various issues related to the organization is the pivot of corporate governance and should have a range of skills and understanding power of various things including share holders.

They should also have the ability to face the challenges and try to improve the efficiency level during the performance of tasks.

Board of Directors are expected to improve

a) The efficiency of management,
b) Good relationship with shareholders
c) Make technological changes to meet the market expectations and
d) Easily make effective use and development of human resource

Employees

The most valuable assets are Employees as per the belief of stake holders in corporate governance and every step is taken to ensure to employees fell proud and confident to work and live with the organization

The stake holders keep trying to organize certain activities to promote a collaborative working environment to drive enhance and innovate the competence of the employees to work overseas and inland on the projects allotted to them

Further the stake holder's focuses on the health and safety of the employees by focusing on certain issues concerned with them on site and off site with a better remuneration package.

Creditors

The creditors (i.e.) lenders according to the stake holders in corporate governance should follow certain terms and are bound to certain obligations while giving loans and advances to the company under corporate governance

a) Customers: In a business customers look for better quality and affordable price which becomes the key factor for stake holders in the corporate governance Likewise, it is important for the company to maintain sustainable relationships with the customers who seek support with regard to product information and also problems encountered in the process of trading with the company, the Customers wants stake holders to ensure total satisfaction.
b) Business partners: Stake holders in Corporate Governance aims at working with the business partners looks for upholding its promises and commitment made in trading including guarantee of product quality and on time delivery within the code of conduct under corporate governance policy existing in company.

Government

In present day Corporate Governance role of government is very significant.

The role of the Government

a) Is to provide healthy environment to mobilize large amount of investment from the investors
b) Check regularly the practices of the companies

The challenge before the government

a) Is to make regular amendments in acts for the welfare of investors and also
b) To play the role of watching like a watchdog.
c) Government has to keep check on the policies made by the company and also
d) constitute committees to improve the performance of management

Accountants

In the process of corporate governance accountants play very vital role in management decisions on the basis of financial reporting provided by them to the Board of Directors and Management.

Information's should be made with statutory and ethical obligations that the directors of the company could rely on it.

The financial reporting should be done on the basis of Generally Accepted Accounting Practices and also to disclose all the relevant information that are beneficial for the shareholders.

Auditors

The role of Auditor in the effective implementation of Corporate Governance is not limited to presentation of a good financial report which should be fair and present true facts regarding the financial position of the company from the point of view of stake holders including the share holders, creditors, Customers, Business Partners and Management.

The auditor's Report should bring out the statistical analysis of the company on which people can rely upon at all levels

Competitors

In business competition is inevitable in every business as it exists according to stake holders in corporate governance it should be relatively fair and according to the code it should be conducted without any disputes and unlawful practices by the competitors in business.

Society

Stake holders in Corporate Governance want to ensure that its business operations are fair to all related parties in line with business philosophy. The Group supports activities that creates a better quality if life promoting happiness in the community.

Stake holders in CG organize various projects and activities to develop the potential of young people in different fields for the benefit of society, In addition to relief at times of disaster.

Stake holders in CG encourage will promote employees to take part in activities that benefit local communities and the general public in achieving sustainable growth.

5. HYPOTHESIS

The study is based on the following hypothesis

1. Negative cases when there exists significant difference between mandatory disclosure and voluntary disclosure in corporate annual reports, there is significant impact of percentage of directors on the board, there is significant impact of percentage of family members on the board on the disclosure level.
2. Positive cases when no significance difference is found and there exists marginal impact of directors of the board and impact of family members is limited to certain level.

6. METHODOLOGY

Research is based on a various companies after clause 49 was introduced in India which form part of primary data (to be collected through questionnaires and interviews of company secretaries and the available journals, articles, newspapers and magazines and reports of stock exchanges which form part of secondary data.

The main objective of study involves descriptive and analytical type research design which is adopted for accurate results and with rigorous analysis done at every level involving all sources at disposal. The secondary data is intensively used for research in order to improve the functionality of System.

7. RECOMMENDATIONS

1. For effective control under corporate governance stake holders should make sure that independent directors form part of the crucial controlling authority of the management to run business in which family members control the business.
2. Meetings should be held and reviewed regularly so that importance of directors can be recognized in order to abolish one man or family dominance over business
3. Experienced directors can play a vital role in disclosing true and fair report of annual statements under corporate governance in-order to check any fraud or cheating in the matters of stake holders process of buying or selling of shares
4. Under corporate governance a distinction between politics and corporation should be made. Auditors should be made accountable in the context of share holders and also share holders should be self aware of their rights in the business
5. Corporate governance should bring out a strict monitoring policy for misuse of corporate assets and abuse in related party transactions and also in managing Interest of all parties including Management, board of Directors, and shareholders.

Corporate governance must be effectively implemented not only to provide a solution to the problems but is must be effectively conducted with a proper code for implementation.

8. CONCLUSION

Corporate Governance is useful for stake holders in knowing about the disclosure level in corporate annual reports and to academicians to know the current practices of corporate governance followed by Indian companies. The study is also useful for research scholars to build a proper disclosure model which can be followed by the companies to fulfill the corporate governance norm in India.

Corporate governance will be successful if everybody contributes their share with responsibility as it represents the value frame work, ethical frame work, and moral frame work which forms the basis for business decisions.

Corporate governance has grown steadily over the years due to public attraction and interest as public has realized the importance for the economic health of corporation and society in general and globalization of business due to the opening of economies worldwide. The globalization of business is done to enhance competitiveness for sustainable development in the present environment of free and fair trade between countries on the global platform

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