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## RESEARCH ARTICLE

## Sectoral Analysis of Corporate Governance Practices in India

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**Abstract**

The concept of corporate governance has been incepted with the prime objective of meaningful disclosure of information to the shareholders. Since then, corporate governance has steered the Indian companies. This study shows that the concept of Corporate Governance is in its nascent stage and there is further scope for its development and improvement. This has served as motivation to further investigate the concept. This paper aims to study corporate governance practices in Indian context for selected leading sectors over the period of five years. For evaluating the Corporate Governance Practices by different companies of different sectors, a Corporate Governance Assessment Model has been used. Average scores for sectors have been calculated to judge the overall sectoral changes. To facilitate the comparison corporate governance index has been calculated and analyzed.

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**1. Introduction**

With the CII Code of Desirable Corporate Governance (1998), the concept of corporate governance emerged in India, and gained momentum in 2003 with the N.R. Narayan Murthy Committee (revised clause 49, listing agreement, SEBI, 2003) with the prime objective of meaningful disclosure of information to the shareholders. Since then, corporate governance has steered the Indian companies. Over the years it has found significant relevance in the corporate world. This is the root cause to choose corporate governance as a matter of study. This study “Sectoral Analysis of Corporate Governance Practices in India” is an attempt to reveal the secrets of corporate governance in Indian context.

Since the inception of this concept, corporate governance has been studied for its effects and impacts on various dimensions, to test its utility. This study shows that the concept is in its nascent stage and there is further scope for its study. This has served as motivation to further investigate the concept. This paper aims to study corporate governance practices in Indian context for selected leading sectors over the period of five years.

**2. Literature review**

**Yaseen Al-Janadi et.al (2013);** examined the impact of internal and external corporate governance mechanisms on voluntary disclosure in Saudi Arabia. They found that corporate governance mechanisms play a vital role in providing quality reporting. The findings of their study provided evidence on the effectiveness of corporate governance as a mechanism of monitoring power to provide users with adequate and sufficient information.

**Md. Shamimul Hasan et.al (2013);** investigated the influence of corporate governance on financial reporting disclosures. Their results show that corporate governance is significantly associated with the extent of financial reporting disclosures. External auditor, multi listing and profitability are significantly (5 per cent level) associated with overall financial reporting disclosures index.

**Raithatha M. and Bapat V. (2012);** studied the compliance of Corporate Governance requirements by Indian Companies for which they developed a model to calculate the Corporate Governance Score of companies which is related to company attributes like size, profitability, leverage, foreign ownership etc. They found that no significant correlation exists between Corporate Governance and company characteristics. Factor analysis of major sub-

parameters of Corporate Governance Score, namely Composition of Board, Audit Committee, Number of Board Meetings and Remuneration Committee was done of which two factors namely Strength of Committee and Competency level of Board were identified as important factors.

**Benjamin M. Mulili and Peter Wong (2011);** examined the concept of corporate governance from a historical perspective. They explored how the agency theory and stewardship theory affect corporate governance practices focusing on public universities in Kenya. They also explored the challenges encountered by developing countries in the process of adopting the corporate governance ideals.

**Arijit Sen (2011);** determined the extent to which Indian listed companies disclose their corporate governance. He concluded that there is a substantial scope for improvement in the corporate governance disclosure practices and the size of the company is a significant determinant of disclosures.

**Bhasin M. and Manama A. (2009);** in his empirical case study analyzed the Corporate Governance (CG) disclosure practices of Reliance Industries Limited, in the light of CG compliance requirements and mandatory/non-mandatory disclosure standards, as envisaged by SEBI's "Clause 49 of the Listing Agreement." In this exploratory case study, they had developed their own model as a "Working method". In order to ascertain how far the company is compliant of CG standard, a "point-value-system" had been applied. This method has served as the prime base for our research.

**Fernando Lefort and Eduardo Walker (2005);** studied whether corporate governance practices at the firm level within a single country affect the firms' market valuation. They performed regression analysis of measures of firm performance and payout policy on corporate governance indicators at the firm level and a series of control variables. They found that firms that present higher coincidence between cash and control rights tend to be consistently more valued by the market.

### 3. Objectives

The broad objectives of this research were:

- To study the Corporate Governance disclosure practices in selected leading sectors of India over the period of five years.
- To carry out comparative analysis of the selected sectors as regards their changes in Corporate Governance disclosure practices over the period of five years.

## 4. Research Methodology

### 4.1 Selection of Sample:

Since this study aims to show the corporate governance practices in India, five different leading sectors are chosen as samples representatives. From each sector, five sample leading companies have been chosen. The total sample consists of twenty five listed companies from different sectors. The sample companies are those listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The selection of these companies is made on the ground that they are renowned players in various sectors and their scripts dominate and influence the stock market movement of the country. These companies are having a large basket of products. Stratified random sampling method was used in this study. Further purposive sampling was done to select the sample companies.

### 4.2 Source of Data:

The research is based on the secondary data of publically listed company's annual report obtained from the official websites of the selected companies.

### 4.3 Period of the Study:

This study aims to judge the CG performance over a period of five years (i.e. from the year 2008 to 2012) for selected Indian companies. However, out of the five years the first, third and fifth years were chosen for this study (i.e. years 2007-08, 2009-10 and 2011-12). The following were the sectors and the companies chosen from the different sectors:

**Table 1: Sectors and Companies selected**

Sr. No.	Sectors	Companies	Abbreviation/Symbol
<b>1</b>	<b>AUTOMOBILES</b>	1 Ashok Leyland Ltd.	ASHOKLEY
		2 Bajaj Auto Ltd.	BAJAJ-AUTO
		3 Hero Honda Motors Ltd.	HEROHONDA
		4 Tata Motors Ltd.	TATAMOTORS
		5 Maruti Suzuki India Ltd.	MARUTI
<b>2</b>	<b>IT</b>	6 Infosys Ltd.	INFY
		7 Tata Consultancy Services Ltd.	TCS
		8 Wipro Ltd.	WIPRO
		9 CMC Ltd.	CMC
		10 HCL Infosystems Ltd.	HCL-INSYS
<b>3</b>	<b>FMCG</b>	11 Britannia Industries Ltd.	BRITANNIA
		12 Colgate Palmolive (India) Ltd.	COLPAL
		13 Dabur India Ltd.	DABUR
		14 Hindustan Unilever Ltd.	HINDUNILVR
		15 Godrej Consumer Products Ltd.	GODREJCP
<b>4</b>	<b>POWER</b>	16 Bharat Petroleum Corporation Ltd.	BPCL
		17 NTPC Ltd.	NTPC
		18 Indian Oil Corporation Ltd.	IOC
		19 Tata Power Co. Ltd.	TATAPOWER
		20 Oil & Natural Gas Corporation Ltd.	ONGC
<b>5</b>	<b>CONSTRUCTION</b>	21 DLF Ltd.	DLF
		22 Godrej Properties Ltd.	GODREJPROP
		23 Oberoi Realty Ltd.	OBEROIRLTY
		24 Unitech Ltd.	UNITECH
		25 Anant Raj Ltd.	ANANTRAJ
	<b>TOTAL</b>	<b>25</b>	

**Table 2: Criterion for Evaluation of Governance Standard**

No.	Governance Parameters	Sub-Score	Total Score
1	Statement of Company's philosophy on code of governance		2
2	Structure and Strength of board		2
3	Chairman & CEO Duality		5(max)
	i Promoter Executive Chairman - Cum - MD / CEO	1	
	ii Non promoter Executive Chairman cum MD / CEO	2	
	iii Promoter Non Executive Chairman	3	
	iv Non Promoter Non Executive Chairman	4	
	v Non Executive Independent Chairman	5	
4	Disclosure of Tenure and Age limit of directors		2
5	Disclosure of :		3
	i Definition of Independent Director	1	
	ii Definition of Financial Expert	1	
	iii Selection Criteria of Board of Directors incl. independent directors	1	
6	Post Board meeting follow up system and compliance of the board procedures		2
7	Appointment of lead independent director		2
8	Disclosure of other provision as to the boards and committees		1
9	Disclosure of :		2
	i Remuneration Policy	1	
	ii Remuneration of Directors	1	
10	Code of Conduct		2
	i Information on Code of Conduct	1	

	ii	Affirmation of compliance	1	
11		Board Committee		
	A	Audit Committee		8
	i	Transparency in composition of audit committee	1	
	ii	Compliance of minimum requirement of the number of independent directors in the committee	1	
	iii	Compliance of minimum requirement of the number of meetings of the committee.	1	
	iv	Information about literacy & expertise of committee members.	1	
	v	information about participation of head of finance, statutory auditor and chief internal auditor in the committee meeting	2	
	vi	Disclosure of audit committee charter and terms of reference	1	
	vii	Publishing of audit committee report	1	
	B	Remuneration / Compensation Committee		6
	i	Formation of the committee	1	
	ii	Information about number of committee meetings	1	
	iii	compliance of minimum requirement of number of nonexecutive directors in the committee	1	
	iv	Compliance of the provision of independent director as a chairman of the committee	1	
	v	Information about participation of all members in the committee meeting	1	
	vi	Publishing of committee report	1	
	C	Shareholders' / Investors Grievance Committee		5
	i	Transparency in Composition of the committee	1	
	ii	Information about nature of complaints & queries received and disposed -item wise.	1	
	iii	Information about number of committee meetings	1	
	iv	information about action taken and investors/shareholders survey	1	
	v	publishing of committee report	1	
	D	Nomination Committee		2
		i) Formation of the Committee	1	
		ii) Publishing of committee charter and report	1	
	E	Health, Safety and Environment Committee		1
	F	Ethics and Compliance Committee		1
	G	Investment Committee		1
	H	Share Transfer Committee		1
12		Disclosure and Transparency		25
	a	Significant related party transactions having potential conflicts with the interest of the company	2	
	b	Non Compliance related to capital market matters during last three years	2	
	c	Accounting treatment	2	
	d	Board Disclosure - Risk Management		
		i) Information to the board on Risk Management	2	
		ii) Publishing of Risk Management Report	1	
	e	Management Discussion and Analysis	2	
	f	Shareholders' Information		
		i) Appointment of new director / re appointment of existing director	1	
		ii) Quarterly results and Presentation	1	
		iii) Share Transfers	1	
		iv) Directors Responsibility Statement	1	
	g	Shareholder Rights	2	
	h	Audit Qualification	2	
	i	Training of Board Members	2	
	j	Evaluation of Non-Executive Directors	2	

	k	Whistle Blower Policy	2	
13		General Body Meetings		3
	i	Location and time of general meetings held in last three years	1	
	ii	Details of Special Resolution passed in last three AGMs \ EGMs	1	
	iii	Details of resolution passed last year through postal ballot incl. conducting official and voting process	1	
14		Means of communication and General shareholder information		2
15		CEO / CFO Certification		2
16		Compliance of Corporate Governance and Auditors' Certificate		10
		Clean Certificate from Auditor	10	
		Qualified Certificate from auditors	5	
17		Disclosure of Stakeholders' interests :		10
	i	Environment, Health & Safety Measures (EHS)	2	
	ii	Human Resource Development Initiative (HRD)	2	
	iii	Corporate Social Responsibility (CSR)	2	
	iv	Industrial Relation (IR)	2	
	v	Disclosure of policies on EHS, HRD, CSR & IR	2	
		<b>T O T A L</b>		<b>100</b>

#### 4.4 Research Methods

- **Corporate Governance Assessment Model:**

For evaluating the Corporate Governance Practices by different companies of different sectors, a Corporate Governance Assessment Model has been used which was developed by **Bhasin M. and Manama A. (2009)** (as indicated in Table 2). The model has considered all the relevant conditions of corporate governance, as stipulated by the Clause 49 of the Listing Agreement, and provisions of the Companies Act, 1956. In order to ascertain how far the companies are compliant of governance standard, a point value system has been applied, whereby adequate weight-age in terms of points has been provided to these conditions, according to their importance. Accordingly, each company has been awarded points on "key parameters," which constitute the governance process in the company. These key governance parameters and the criterion for evaluation of governance standard have been selected on a hindered-point scale as shown in Table 2.

The annual report of all 25 companies from five different sectors have been assessed to see the extend of corporate governance disclosures made by them, and to see their effectiveness in terms of substance and quality of disclosure of CG, for the year 2007-08, 2009-2010 and 2011-12. This was done to see the changes if any, been made in the disclosure practices over a period of five years.

After analysis of governance structure, process and disclosures made on corporate governance, to

measure the standard and quality of governance that has been achieved by various companies, the scores of different companies have been rated on a five point scale, and ranks have been assigned to them as shown in Table 3.

**Table 3: Table showing ranks**

Score Range	Rank
86 – 100	Excellent
71 – 85	Very Good
56 – 70	Good
41 – 55	Average
Below 41	Poor

- **Corporate Governance Index:**

- **Average sector score:**

Average score of each sector for the years 2007-08, 2009-10 and 2011-12 has been calculated to facilitate sector wise comparison and to judge the overall sectoral changes over the years. Average scores have been calculated by dividing the sum of scores of the companies for a year and of a particular sector by the number of companies in that sector.

- **Computation of Corporate Governance Index:**

A corporate governance index has also been calculated (taking 2007-08 as base year) using the average sector scores, to see the changes if any, in corporate governance disclosure over a period of five years, i.e. from 2007-08 to 2011-12 and also to facilitate the comparison.

Corporate governance index has been calculated by the following formula:

Corporate Governance Index

$$= \frac{\text{Current year's Average score of sector}}{\text{Base year's Average score of sector}} \times 100$$

Finally, a comparison has been made of the average score of sectors and corporate governance index.

## 5. Computation of Corporate governance score and CG index

### 5.1 Corporate governance scores of Automobile sector:

Table 4 below shows the details of the scores assigned to the companies of Automobile sector for the year 2008, 2010 and 2012. It also shows the ranks received by the company, Average score of five companies for all three years and finally the CG Index.

TABLE 4: CG score of different companies of Automobile sector																	
			Automobile sector														
			2008					2010					2012				
No.	Governance Parameters	Points assigned	Ashok Leyland	Bajaj Auto	Hero Honda	Tata Motors	Maruti Suzuki	Ashok Leyland	Bajaj Auto	Hero Honda	Tata Motors	Maruti Suzuki	Ashok Leyland	Bajaj Auto	Hero Honda	Tata Motors	Maruti Suzuki
1	Statement of Company's philosophy on code of governance	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
2	Structure and Strength of board	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
3	Chairman & CEO Duality	5	3	1	1	3	3	3	1	1	3	3	3	1	1	3	3
4	Disclosure of Tenure & Age limit of directors	2	0	0	0	2	0	0	2	0	2	0	2	2	0	2	0
5	Disclosure of : Definitions	3	0	0	0	0	0	0	0	0	0	0	0	0	0	2	1
6	Post Board meeting follow up system and compliance of the board procedures	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Appointment of lead independent director	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Disclosure of other provision as to the boards and committees	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
9	Disclosure of : Remuneration	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
10	Code of Conduct	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2

11	Board Committee	25	15	13	12	17	9	15	14	15	17	9	15	16	16	18	9
12	Disclosure and Transparency	25	18	14	16	24	15	17	20	16	24	15	16	20	16	24	15
13	General Body Meetings	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
14	Means of communication & General shareholder information	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
15	CEO / CFO Certification	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
16	Compliance of Corporate Gov.& Auditors' Certificate	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
17	Disclosure of Stakeholders' interests	10	0	4	4	10	2	0	6	4	10	2	6	6	4	10	6
	<b>TOTAL</b>	<b>100</b>	<b>62</b>	<b>58</b>	<b>59</b>	<b>82</b>	<b>55</b>	<b>61</b>	<b>69</b>	<b>62</b>	<b>82</b>	<b>55</b>	<b>68</b>	<b>71</b>	<b>63</b>	<b>85</b>	<b>60</b>
	<b>RANK</b>		<b>2</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>5</b>
	<b>RANK</b>		Good	Good	Good	Very Good	Average	Good	Good	Good	Very Good	Average	Good	Very Good	Good	Very Good	Good
	<b>AVERAGE</b>		<b>63.2</b>					<b>65.8</b>					<b>69.4</b>				
	<b>CG INDEX</b>		<b>100</b>					<b>104.11</b>					<b>109.8</b>				

Figure 1 below shows the corporate governance score for various companies of automobile sector for the years 2008, 2010 and 2012.

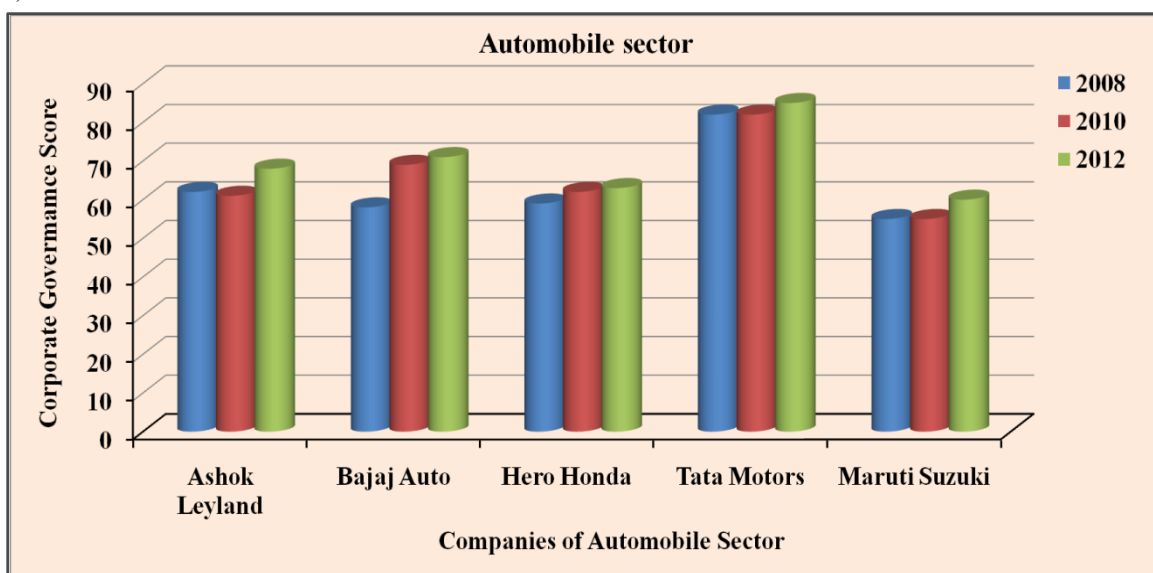


Figure 1: Corporate Governance Score for various companies of Automobile sector for the years 2008, 2010 and 2012



The automobile sector shows a fair result. Among the companies of this sector Tata Motors shows the best result as compared to others. Its score has increased from 82 to 85 from 2008 to 2012 as indicated in Table 4. Maruti Suzuki scores the least, though its score has increased from 55 to 60. Other companies score fairly good. Also, the companies of this sector except Bajaj Auto do not show much increase in their scores from 2008 to 2012 as is clear from Figure 1.

## 5.2 Corporate Governance scores of IT sector:

Table 5 below shows the details of the scores assigned to the companies of IT sector for the year 2008, 2010 and 2012. It also shows the ranks received by the company, Average score of five companies for all three years and finally the CG Index.

TABLE 5: CG score of different companies of IT sector																	
			IT SECTOR														
			2008					2010					2012				
No .	Governance Parameters	Points assigned	Infosys	TCS	Wipro	CMC	HCL Info	Infosys	TCS	Wipro	CMC	HCL Info	Infosys	TCS	Wipro	CMC	HCL Info
1	Statement of Company's philosophy on code of governance	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
2	Structure and Strength of board	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
3	Chairman & CEO Duality	5	3	3	2	4	1	3	3	2	4	1	3	3	2	4	3
4	Disclosure of Tenure and Age limit of directors	2	2	0	2	0	0	2	0	2	2	0	2	0	2	2	0
5	Disclosure of : Definitions	3	2	0	0	0	0	2	0	0	0	0	2	0	0	1	0
6	Post Board meeting follow up system and compliance of the board procedures	2	0	0	2	0	0	0	2	2	0	0	0	0	2	2	0
7	Appointment of lead independent director	2	2	0	2	0	0	2	0	2	0	0	0	0	2	0	0
8	Disclosure of other provision as to the boards and committees	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1



9	Disclosure of : Remuneration	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
10	Code of Conduct	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
11	Board Committee	25	16	15	16	16	12	16	15	19	15	13	16	16	19	16	13
12	Disclosure and Transparency	25	23	16	24	16	13	23	16	24	16	13	25	17	24	20	15
13	General Body Meetings	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
14	Means of communicatio n and General shareholder information	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
15	CEO / CFO Certification	2	2	0	0	2	2	2	0	0	2	2	2	0	0	2	2
16	Compliance of Corporate Governance and Auditors' Certificate	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
17	Disclosure of Stakeholders' interests	10	6	2	10	4	10	6	2	10	4	10	10	2	10	8	10
	<b>T O T A L</b>	<b>100</b>	<b>80</b>	<b>60</b>	<b>82</b>	<b>66</b>	<b>62</b>	<b>80</b>	<b>62</b>	<b>85</b>	<b>67</b>	<b>63</b>	<b>84</b>	<b>62</b>	<b>85</b>	<b>79</b>	<b>67</b>
	<b>RANK</b>		<b>2</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>4</b>
	<b>RANK</b>		<b>Very Good</b>	<b>Good</b>	<b>Very Good</b>	<b>Good</b>	<b>Good</b>	<b>Very Good</b>	<b>Good</b>	<b>Very Good</b>	<b>Good</b>	<b>Good</b>	<b>Very Good</b>	<b>Good</b>	<b>Very Good</b>	<b>Very Good</b>	<b>Good</b>
	<b>AVERAGE</b>		<b>70</b>					<b>71.4</b>					<b>75.4</b>				
	<b>CG INDEX</b>		<b>100</b>					<b>102</b>					<b>107.71</b>				

Figure 2 below shows the corporate governance score for various companies of IT sector for the years 2008, 2010 and 2012.

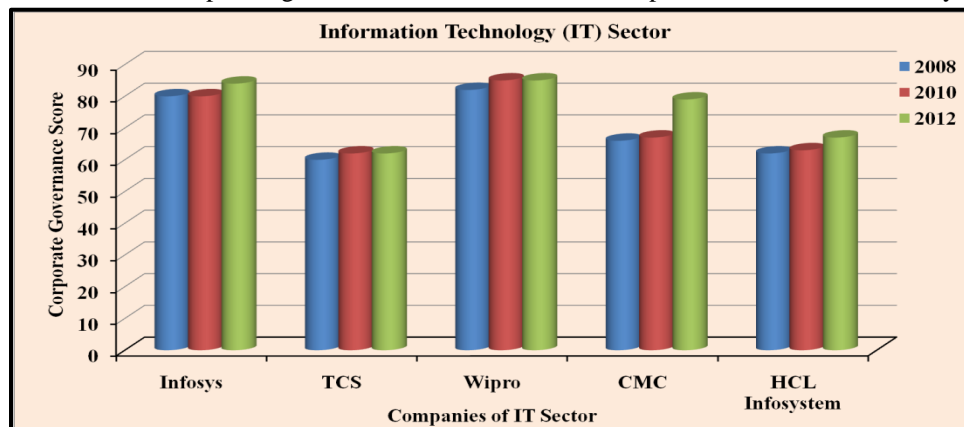


Figure 2: Corporate governance score for various companies of Information Technology (IT) sector for the years 2008, 2010 and 2012

Companies of IT sector show the highest scores of 84 and 85, by Wipro and Infosys respectively. Almost all companies get a rank of “very good”. TCS has the least score and also it does not show much improvement from 2008 to 2012. The score of CMC has increased from 67 in 2010 to 79 in 2012. Companies of this sector have ranked fairly well and are on the way to excel in their corporate governance practices. This is evident from Table 5 and Figure 2.

### 5.3 Corporate Governance Scores of FMCG sector:

Table 6 below shows the details of the scores assigned to the companies of FMCG sector for the year 2008, 2010 and 2012. It also shows the ranks received by the company, Average score of five companies for all three years and finally the CG Index.

TABLE 6: CG score of different companies of FMCG sector																	
			FMCG SECTOR														
			2008					2010					2012				
No.	Governance Parameters	Points assigned	Britania	Colgate Palmolive	Dabur	HUL	Godrej CP	Britania	Colgate Palmolive	Dabur	HUL	Godrej CP	Britania	Colgate Palmolive	Dabur	HUL	Godrej CP
1	Statement of Company's philosophy on code of governance	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
2	Structure and Strength of board	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
3	Chairman & CEO Duality	5	3	3	3	3	1	3	3	3	3	1	3	3	3	3	1
4	Disclosure of Tenure and Age limit of directors	2	2	0	2	2	0	2	0	2	2	0	2	0	2	2	2
5	Disclosure of : Definitions	3	0	0	1	0	1	0	0	1	0	1	0	0	1	2	1
6	Post Board meeting follow up system and compliance of the board procedures	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Appointment of lead independent director	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Disclosure of other provision as to the boards and committees	1	1	0	1	1	1	1	0	1	1	1	1	0	1	1	1

9	Disclosure of : Remuneration	2	2	1	2	2	2	2	1	2	2	2	2	1	2	2	2
10	Code of Conduct	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
11	Board Committee	25	18	7	20	14	14	18	7	20	16	14	18	7	20	16	14
12	Disclosure and Transparency	25	22	11	20	16	14	22	11	20	16	16	23	11	20	18	16
13	General Body Meetings	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
14	Means of communication and General shareholder information	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
15	CEO / CFO Certification	2	2	0	2	2	2	2	0	2	2	2	2	0	2	2	2
16	Compliance of Corporate Governance and Auditors' Certificate	10	10	5	10	10	10	10	5	10	10	10	10	5	10	10	10
17	Disclosure of Stakeholders' interests	10	10	2	8	4	4	10	4	8	6	6	10	4	8	6	6
	<b>TOTAL</b>	<b>100</b>	<b>81</b>	<b>40</b>	<b>80</b>	<b>65</b>	<b>60</b>	<b>81</b>	<b>42</b>	<b>80</b>	<b>69</b>	<b>64</b>	<b>82</b>	<b>42</b>	<b>80</b>	<b>73</b>	<b>66</b>
	<b>RANK</b>		<b>1</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>4</b>
	<b>RANK</b>		Very Good	Poor	Very Good	Good	Good	Very Good	Average	Very Good	Good	Good	Very Good	Average	Very Good	Very Good	Good
	<b>AVERAGE</b>		<b>65.2</b>					<b>67.2</b>					<b>68.6</b>				
	<b>CG INDEX</b>		<b>100</b>					<b>103.07</b>					<b>105.21</b>				

Figure 3 below shows the corporate governance score for various companies of FMCG sector for the years 2008, 2010 and 2012.

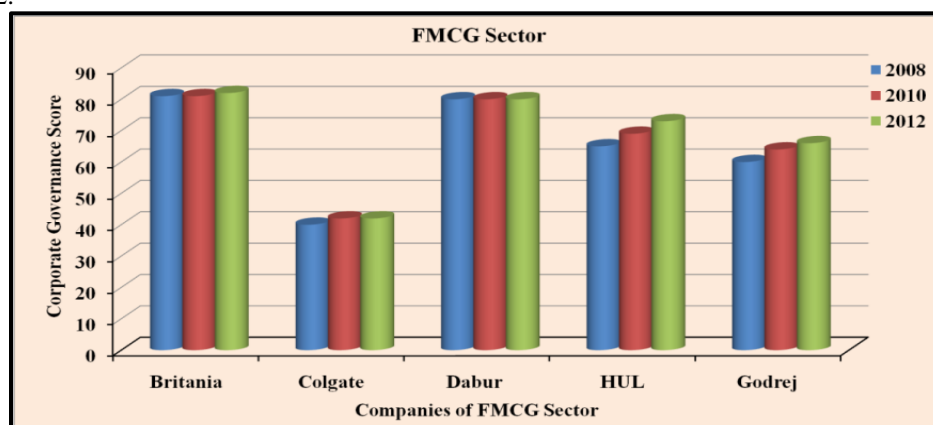


Figure 3: Corporate Governance Score for various companies of FMCG sector for the years 2008, 2010 and 2012

On observing Figure 3 it shows that the FMCG sector shows the poorest result. This could be mainly due to Colgate Palmolive Ltd., this company ranks “Poor” in 2008 and “Average” in 2012 as indicated in Table 6, though improved, but it could not reach the standards of other companies. Britannia has consistently ranked “1” with highest scores, followed by Dabur with a consistent score of 80 over the years. Other companies range fairly good for all the three years.

#### 5.4 Corporate Governance Scores of Power sector:

Table 7 below shows the details of the scores assigned to the companies of Power sector for the year 2008, 2010 and 2012. It also shows the ranks received by the company, Average score of five companies for all three years and finally the CG Index.

TABLE 7: CG score of different companies of Power sector																	
			POWER SECTOR														
			2008					2010					2012				
No .	Governance Parameters	Points assigned	BP	NTPC	IOC	TATA POWER	ONGC	BP	NTPC	IOC	TATA POWER	ONGC	BP	NTPC	IOC	TATA POWER	ONGC
1	Statement of Company's philosophy on code of governance	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
2	Structure and Strength of board	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
3	Chairman & CEO Duality	5	2	2	2	3	2	2	2	2	3	2	2	2	2	3	2
4	Disclosure of Tenure and Age limit of directors	2	2	2	0	2	0	2	2	0	2	0	2	2	0	2	0
5	Disclosure of : Definitions	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Post Board meeting follow up system and compliance of the board procedures	2	0	0	0	0	2	0	0	0	0	2	0	0	0	0	2
7	Appointment of lead independent director	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Disclosure of other provision as to the boards and committees	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

9	Disclosure of : Remuneration	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
10	Code of Conduct	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
11	Board Committee	25	9	10	14	18	15	12	13	15	18	16	14	14	15	18	17
12	Disclosure and Transparency	25	14	22	18	24	24	16	24	18	24	24	16	24	18	24	24
13	General Body Meetings	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
14	Means of communication and General shareholder information	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
15	CEO / CFO Certification	2	2	2	2	0	2	2	2	2	0	2	2	2	2	0	2
16	Compliance of Corporate Governance and Auditors' Certificate	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
17	Disclosure of Stakeholders' interests	10	8	6	10	10	10	8	6	10	10	10	8	6	10	10	10
	<b>TOTAL</b>	<b>100</b>	<b>61</b>	<b>68</b>	<b>70</b>	<b>81</b>	<b>79</b>	<b>66</b>	<b>73</b>	<b>71</b>	<b>81</b>	<b>80</b>	<b>68</b>	<b>74</b>	<b>71</b>	<b>81</b>	<b>81</b>
	<b>RANK</b>		<b>5</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>1</b>
	<b>RANK</b>		Good	Good	Good	Very Good	Very Good	Good	Very Good	Very Good	Very Good	Very Good	Good	Very Good	Very Good	Very Good	Very Good
	<b>AVERAGE</b>		<b>71.8</b>					<b>74.2</b>					<b>75</b>				
	<b>CG INDEX</b>		<b>100</b>					<b>103.3</b>					<b>104.5</b>				

Figure 4 below shows the corporate governance score for various companies of Power sector for the years 2008, 2010 and 2012.

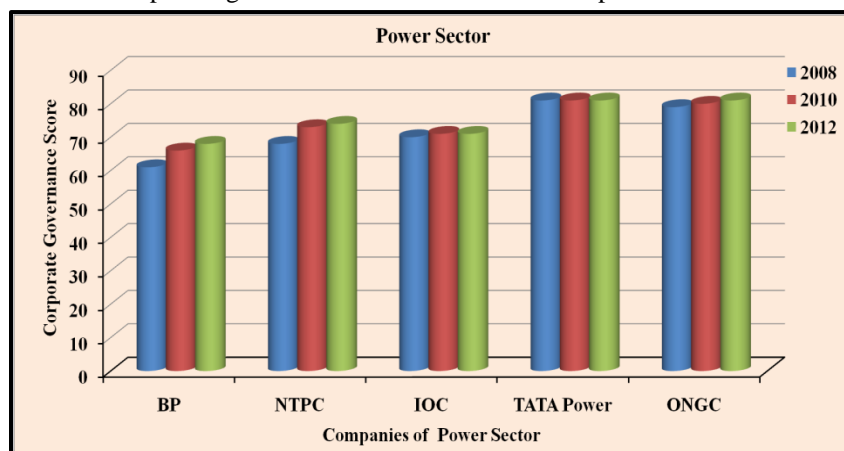


Figure 4: Corporate Governance Score for various companies of Power sector for the years 2008, 2010 and 2012

The power sector shows a better result. Most companies rank “Very Good” over the years. It indicates that this sector has constantly strived to maintain their corporate governance practices. Tata power and ONGC get the highest scores of 81 in 2012 as indicated in Table 7. BP scores the least for all three years. Over the years, companies of this sector do not show much increase in their scores. This is evident from Figure 4.

### 5.5 Corporate Governance Scores of Construction sector:

Table 8 below shows the details of the scores assigned to the companies of construction sector for the year 2008, 2010 and 2012. It also shows the ranks received by the company, Average score of five companies for all three years and finally the CG Index.

TABLE 8: CG score of different companies of Construction sector																	
			CONSTRUCTION SECTOR														
			2008					2010					2012				
N o.	Governance Parameters	Points assigned	DLF	Godrej Properties	Oberoi	Unitech	AnantRaj	DLF	Godrej Properties	Oberoi	Unitech	AnantRaj	DLF	Godrej Properties	Oberoi	Unitech	AnantRaj
1	Statement of Company's philosophy on code of governance	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
2	Structure and Strength of board	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
3	Chairman & CEO Duality	5	1	3	1	1	3	1	3	1	1	3	1	3	1	1	3
4	Disclosure of Tenure and Age limit of directors	2	0	0	0	2	0	0	0	0	2	0	2	2	0	2	0
5	Disclosure of : Definitions	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Post Board meeting follow up system and compliance of the board procedures	2	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0
7	Appointment of lead independent director	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Disclosure of other provision as to the boards and committees	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
9	Disclosure of : Remuneration	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
10	Code of Conduct	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2

11	Board Committee	25	15	11	13	9	16	15	11	13	14	16	15	13	13	14	16
12	Disclosure and Transparency	25	16	16	14	24	21	16	16	14	24	21	16	22	14	24	21
13	General Body Meetings	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
14	Means of communication and General shareholder information	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
15	CEO / CFO Certification	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
16	Compliance of Corporate Governance and Auditors' Certificate	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
17	Disclosure of Stakeholders' interests	10	6	2	0	0	0	6	2	2	0	0	6	2	2	6	0
	<b>TOTAL</b>	<b>100</b>	<b>64</b>	<b>58</b>	<b>54</b>	<b>62</b>	<b>66</b>	<b>64</b>	<b>58</b>	<b>56</b>	<b>67</b>	<b>66</b>	<b>68</b>	<b>68</b>	<b>56</b>	<b>73</b>	<b>66</b>
	<b>RANK</b>		<b>2</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>4</b>
	<b>RANK</b>		<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Good</b>	<b>Very</b>	<b>Good</b>
	<b>AVERAGE</b>		<b>60.8</b>					<b>62.2</b>					<b>66.2</b>				
	<b>CG INDEX</b>		<b>100</b>					<b>102.3</b>					<b>108.9</b>				

Figure 5 below shows the corporate governance score for various companies of Construction sector for the years 2008, 2010 and 2012.

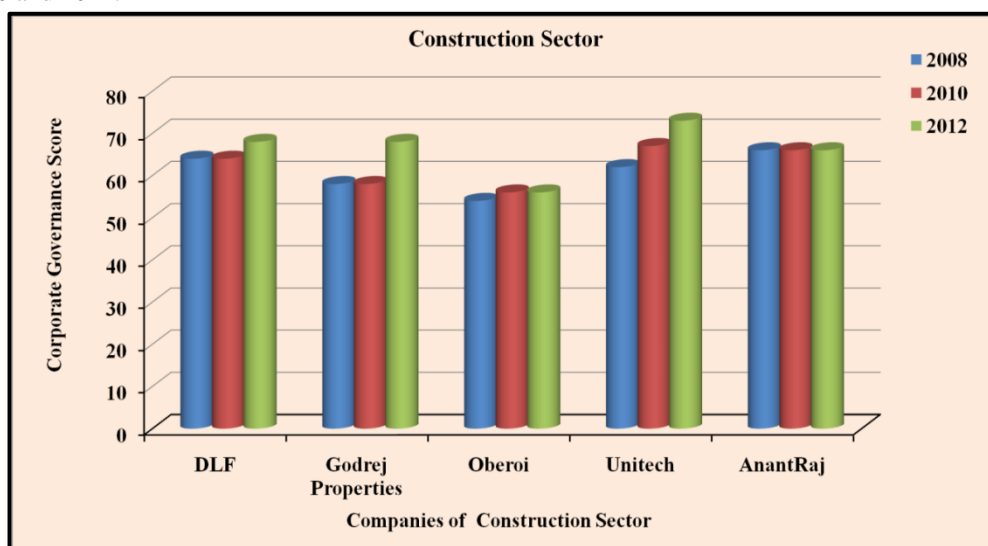


Figure 5: Corporate Governance Score for various companies of Construction sector for the years 2008, 2010 and 2012



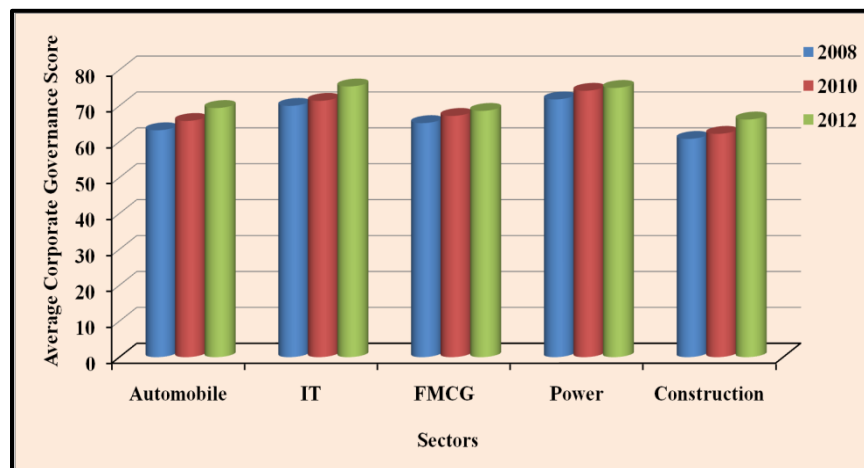
For the construction sector most of the companies ranks “Good”, for all three years, i.e. it ranges from 56 to 70. It indicates that this sector has not made much improvement in its corporate governance practices over the years. Unitech shows the best improvement over the years (from 62 to 73). Oberoi show a lower score as compared to other companies of the sector. Table 8 and Figure 5 support the results.

On comparing the scores of all companies from all the sectors, it is observed that none of the company could score “Excellent”, i.e. no company gets a score of more than 86. Thus, it indicates that there is still further scope for companies to develop and improve their corporate governance practices and disclosures. Table 9 below aids the comparison.

**Table 9: Sector-wise and year wise Sector Average and CG Index**

Sr. No	Sector Average				CG Index			
		2008	2010	2012		2008	2010	2012
1	Automobile	63.2	65.8	69.4	Automobile	100	104.11	109.81
2	IT	70	71.4	75.4	IT	100	102	107.71
3	FMCG	65.2	67.2	68.6	FMCG	100	103.07	105.21
4	Power	71.8	74.2	75	Power	100	103.3	104.5
5	Construction	60.8	62.2	66.2	Construction	100	102.3	108.9

Figure 6 below shows the corporate governance scores for various sectors for the years 2008, 2010 and 2012.



**Figure 6: Average Corporate Governance Score of various sectors for the years 2008, 2010 and 2012**

As indicated in Table 9 and Figure 6, there was an increase in the sector average for all sectors from a period of 2008 to 2012. This was also clearly evident by the comparison of CG Index of various sectors for the three years. Construction sector scores the least average score of 60.8 for the year 2008, again for the year 2010 and 2012 this sector scores the least average score of 62.2 and 66.2 respectively. Highest average was recorded by power sector for the year 2008, which was 71.8; 74.2 for the year 2008 and 2010, but for the year 2012 it was IT sector that scores the highest average of 75.5. On comparing the CG index of different sectors it was observed that, the highest increase was shown by the automobile sector, i.e. from 100 to 109.81; whereas the power sector shows least increase from 100 to 104.5.

## 6. Summary and Conclusions

The major finding of the study can be summarized as follows:

- The selected companies from different sectors are better performing companies of their respective sector in one way or the other.
- There has been an increase in corporate governance practices and disclosures over a period of five years, from 2008 to 2012.
- Companies from different sectors have constantly made efforts to improve their corporate governance practices and disclosures.

- Among the companies of the automobile sector Tata Motors shows the best result as compared to others.
- Almost all companies of the IT sector score a rank of “very good”, indicating good CG practices.
- Wipro and Infosys are the Companies of IT sector that show highest scores.
- Among the companies of FMCG sector Colgate Palmolive Ltd. shows the poorest result, indicating a wide scope for its improvement in CG practices.
- Britannia and Dabur are the consistent high ranking companies of FMCG sector.
- Most companies of the power sector rank “Very Good” over the years. It indicates that this sector has constantly strived to maintain their corporate governance practices.
- Tata power and ONGC get the highest scorers of the power sector.
- Most of the companies of the construction sector rank “Good”, for all three years. It indicates that this sector has not made much improvement in its corporate governance practices over the years.
- Among the companies of the construction sector Unitech shows the best improvement over the years.
- None of the company from any sector could score “Excellent”. It indicates that there is still further scope for companies to develop and improve their corporate governance practices and disclosures.
- Companies of IT and power sectors are better than others in their CG disclosure practices.
- Highest increase was shown by the companies of automobile sector over the years.

There has been an increase in corporate governance practices and disclosures over a period of five years, from 2008 to 2012. This is clearly evident from the increase in the corporate governance score of all companies and all sectors over the years. Companies from different sectors have constantly made efforts to improve their corporate governance practices and disclosures. Corporate

governance is gaining importance gradually, as companies are recognizing its worth.

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