

CORPORATE GOVERNANCE REFORMS

Mcom IInd semester

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INTRODUCTION

- Corporate Governance deals with the rights and responsibilities of a company, its management, its board shareholders and various stakeholders. The responsibility of the management is to undertake the management of the company in terms of the direction provided by the board, to put in place adequate control system and to ensure their operation and to provide information to the board on a timely basis and in a transparent manner to enable the board to monitor the accountability of management to it.

LEGAL REFORMS

The key areas where legal reforms has to be strengthened are

1. Insider trading should be considered as a significant aspect of corporate governance.
2. Empowering SEBI and increase SEBI s workforce for effective implementation.
3. Stingent punishmentes to defaulters/offenders.
4. Introduction of whistle blower provisions in law.
5. Harmonising and compliance with international accounting standerds and practices.
6. Evolving a system where misuse of proxy voting system can be checked.
7. Sufficient legal protection to minority shareholders.

GLOBAL REFORMS

The following reforms are needed to enhance corporate governance level across the globe-

- a) Roles and responsibility of auditors need to be precisely defined and understood.
- b) Rules for punishing the negligent professionals need to be strict .
- c) CFO,s and CEO,s to be made accountable for their actions.
- d) Board Structure should be balanced with independence ,professionals and interested directors.
- e) The role of auditors need to be changed from watchdog to that of whistler blowers.
- f) Audit committees to keep a vigil on financial issues and oversee financial discipline.
- g) Shareholders and institutional members need to take active part in company meetings and voting on resolutions.

CREDIT RATING

- SEBI has worked with credit rating agencies to prepare **CORPORATE GOVERNANCE INDEX** as a measure of wealth creation, management and its distribution by the corporates. Presently this index is voluntary. This index would be regarded as a valuable indicator of corporate governance of companies and will be widely used by the markets.