INTRODUCTION

The elements of Globalisation, de-integration and acceleration are changing the domain of Industry Structure across the World. Globalisation involves movement of four economic factors across national and international borders viz; physical capital in terms of plant and machinery, financial capital in terms of money invested in the Capital Markets of emerging Countries as well as FDI, labour, and technology. The term ‘Governance’ has a universal application and attained momentum after the globalization, trade liberalization policy and initiatives made by nations as the foremost agenda for growth and survival in ever changing social, political and economic environment through the effective management of the stated four economic factors. Infact, the term ‘Governance’ is a very important mechanism in linking social purposes and resource allocation in the World. However, a striking characteristic of ‘Governance Systems’ is the extent to which their functioning is affected not only by structure but also – to a very considerable extent – by personalities. Different national governance systems have individual ‘styles’ or cultures, which in turn are rooted in history and administrative tradition. Some Countries have strong traditions of informal co-ordination, which go a long way towards overcoming formal gaps and imperfections in the governance structure. Others have fiercely individualistic traditions, where co-ordination mechanisms have to be clear and formal. Globalisation of production and Corporate R&D allows specialisation and scale while allowing Companies to seek out the best available global knowledge. If the World is to find its way to a brighter future, people from all walks of life must work to develop much stronger instruments of cross-border cooperation than currently exist. The ultimate goal must be the creation of an international system with far greater ability to solve the problems, to anticipate the dilemmas foreseeable in the future. Thus, Corporate governance is the buzzword in India. It is about transparency, openness, accountability, integrity, trusteeship of management and ethical corporate behaviour in all respects.

DEFINITION OF GOVERNANCE STRUCTURE

Governance, however, is more than just adherence to specific rules and norms of the Society, Country and at large the World. Civil Society rules have a significant impact on how individual citizens are socialized into politics and how Citizens relate to Political Society. Government must be assessed in terms of how well rules help it achieve security and welfare for the citizens. Bureaucracy must be assessed in terms of how well it delivers and how accessible it is to members of the public. Economic society relies on many other rules, e.g. those pertaining to property and consultation. The judiciary, finally, faces other challenges than just fair judgment, such as access to justice and the existence of alternative mechanisms for conflict resolution. Governance skills in each arena rely on more than the ability to handle a small number of key issues. In an international climate in which participation and ownership of development activities are still considered primary objectives, civil society comes closest to being the arena that may help drive others in a positive direction. ‘Good governance’ is not the privilege of the rich. It is possible and occurs also in poorer Countries of the World. ‘Governance’, if defined as a voluntarist activity aimed at changing and managing the rules of the political game, emphasizes that progress is possible even at levels and in context where liberal democracy is not much...
present. It also demonstrates that mal-governance is present in Countries which may rank high on a democracy index. A ‘Governance’ focus also allows us to discern the fact that people appreciate not only the democratic quality of a given regime but also its stability. Thus, it implies the development of a comprehensive framework and process-oriented set of indicators for assessing governance at the national and international level. The existence of a ‘Governance Structure’ is a vital component of the national agenda of the Country(ies) in a liberalized scenario to meet the challenges of policy-making or policy implementation initiatives.

Governance arena includes within its scope the following:

— Civil Society or the way citizens become aware of and raise political issues;
— Political Society or the way societal interests are aggregated in politics;
— Government or the rules for stewardship of the System as a whole;
— Bureaucracy or the rules guiding how policies are implemented;
— Economic Society or how state-market relations are structured; and
— Judiciary or the rules for how disputes are settled.

Figure 1: Governance Architecture

MEANING OF GLOBAL GOVERNANCE

As the expression ‘Governance norms’ has universal application, it is better if we interpret in context to Global standards in terms of Countries, Nation, States, constituting the global order. There is no universally accepted definition of ‘Governance’, but this term is often used to refer to the interpretation of order, stability and politico-economic management. The Governance is ‘a continuing process through which conflicting and diverse interests may be accommodated and cooperative action may be taken’. The apex institutions like World Bank and the International Monetary Fund, on the other hand, use ‘Good Governance’ to refer to a particular type of political and economic order. For them, ‘Good Governance’ is associated with the spread of democracy and transparency in Government set-up and free markets.

The concept of global governance, as distinct from ‘good governance’, refers to formal and informal sets of arrangements in global politics. It implies that States alone cannot manage global affairs, and therefore, it accords roles to International Governmental Organisations (IGOs), Non-governmental Organisations (NGOs) and Multi-national Corporations (MNCs). ‘Global Governance’ refers to transnational networks, institution building, norms for entrepreneurship, regime creation and the management of global change. It covers many issues, such as Women’s rights, human rights, development, democratization, the environment, security and investments. In a nutshell, ‘Global Governance’ describes regimes or systems of rule, embracing both formal and informal regulatory mechanisms.

Underlying the basic principles of global governance is the tolerance and a willingness to manage differences and reconcile various issues affecting development of the world economies. This can take place only where there is a common set of values, norms, beliefs, ideas and institutions. As these values evolve, the nature of global governance has necessarily to change. Indeed, global governance ‘is a broad, dynamic, complex process that is constantly evolving and responding to changing circumstances’. Thus, while ‘Global Governance’ requires tolerance and accommodation of conflicting interests across national, racial, class, gender and ethnic boundaries, it is often the preferences of the most powerful actors that are accommodated. Liberalism would adequately explain the interactions of States, Civil Society, Multi-national Corporations and Inter-Governmental Organisations in global scenario. ‘Global Governance’ is about norms and power. It is constituted by ideas, culture and material forces, role played by States and Non-State actors which ultimately affects life from the local to the global levels. ‘Global Governance’ and ‘Globalisation’ have a chicken-egg relationship and indispensable. What is clear is that ‘Globalisation’ has become one of the most commonly used terms in International Relations and is basically a product of ‘positional competition’ by the States. Countries across
the globe used to describe the intensity and breadth of interactions within the political, technological, economic, social and cultural domains, most of which are derived from Western, and especially capitalist, values and practices. Globalisation also implies universalisation, harmonization and homogeneity, which ultimately mean that the values, institutions, interests and norms of some peoples and societies have to be sacrificed. It thus confronts us with the challenge of reconciling the imperatives of global markets with the socio-economic needs of the world’s people and of realising its full potential while minimising the threat of new divisions in the world. It has the potentiality to ensure that the ideas, norms and rules, which underpin ‘Global Governance’ reflect the diversity of values and interests in the world.

As per the UN publication, ‘Good Governance’ comprises of the following:

- **Participation** providing all men and women with a voice in decision-making;
- **Rule of Law** legal frameworks should be fair and enforced impartially, particularly the laws on human rights;
- **Transparency** built on the free flow of information;
- **Responsiveness** of institutions and processes to stakeholders;
- **A consensus orientation** differing interests are mediated to reach a broad consensus on what is in the general interest;
- **Equity** all men and women have opportunities to improve or maintain their well-being;
- **Effectiveness and efficiency** processes and institutions produce results that meet needs while making best use of resources;
- **Accountability** of decision-makers in Government, the Private Sector and Civil Society Organizations;
- **A Strategic Vision** of leaders and the public on good governance and human development and of what is needed for such development.

**ORIGIN OF WTO IN REFERENCE TO GLOBAL GOVERNANCE**

The World Trade Organization was not however, created to govern the globe but only to promote the trade liberalization process. However, it was only after the Uruguay Round that the time for traditional ‘border measures’ that ensured protectionist trade policies was finally over and in its place the concept of ‘deeper integration’ fuelled by globalization was adopted in the Global Scene. The General Agreement on Tariff and Trade (GATT) resulted in permitting trade policy, in a highly politically sensitive environment. It must be stated that to recede from high to low politics, trade has become an issue pre-occupying the bureaucrats of various nations across the world. Creating an efficient, dynamic and growing Private Business Sector is the only way to increase the rate of economic growth. If governments wish to reduce poverty, they need to improve the environment in which private business operates. A good business environment will encourage Private Companies to be more productive, offer better products and services at lower prices, export more, expand and invest in new capacity, hire more workers and above all increase the wages and salaries. In this context, the business environment includes all those institutions, policies, laws, and regulations that impact the performance of private firms. Examples are competition laws and policies; the financial system; the legal and regulatory system; tax administration; labour laws; tariffs and customs, the quality of infrastructure such as roads, power, telecommunications, water supply etc.

**ORIGIN OF CORPORATE GOVERNANCE**

The concept of ‘Corporate Governance’ came into vogue first in the U.S.A. in the late Seventies, followed by the U.K. in the Nineties. The principles and practice of ‘Corporate Governance’ were perfected in U.K. based on the reports of four Committees appointed for the purpose viz. Cadbury, Rutteman, Hampel and Turnbull Committees. The Corporate World in India could not for long remain indifferent to the developments that were taking place in the U.K. In fact, the developments in U.K had tremendous influence on our country as well. They triggered the thinking process in our country, which finally led us to lay down our own ground rules on ‘Corporate Governance’. In India, the emphasis during the past few years has been limited to only some of the recommendations of the Cadbury Committee — such as the role and composition of the Audit Committees and the importance of making all the necessary disclosures with Annual Statements of Accounts, which are considered important for the Investor protection.

**MEANING, NATURE AND SCOPE OF CORPORATE GOVERNANCE**

Although there is no single acceptable definition of ‘Corporate Governance’, it can be said to be a means to maximise the long-term Shareholders’ value in a legal
and ethical manner, ensuring fairness, courtesy and dignity in all transactions of the Company. It must be emphasized that transparency is the basis for ‘Corporate Governance’. A good Corporate Governance Model ensures fairness, courtesy and dignity in all transactions within and outside the company. Indian disclosure norms are not adequate to meet the international standards. Hence, the Directors should make constant efforts to benchmark international standards such as US GAAP. Those Companies that provide not only good performance but also good governance can expect the backing not only of the shareholders but also of all other stakeholders. Henceforth, a proper governance mechanism of Corporates will become crucial to face challenges of the dynamic World Economy.

It must be stated that ‘Corporate Governance’ issues have attracted considerable attention, debate, and research worldwide in recent decades. ‘Corporate Governance’ has wide ramifications and extends beyond good corporate performance and financial propriety though these are no doubt essential. The basic rationale for high standards of ‘Corporate Governance’ stems from the inherent characteristics of the Corporate form of Organization. The Board of Directors in a Company is vested with the responsibility of stewardship and surveillance over the affairs of the Corporation. Good Corporate Governance is the key to efficiency in a competitive environment. In the Information technology age, Corporate Governance provides a cutting edge. Good Corporate Governance is not merely desirable but it is essential for survival. It is necessary not just because it is good for the Shareholders and other stakeholders, it is essential because it is in the interest of the Company itself in the present competitive environment. It is good for the Shareholders because it is good for the Company on which their future depends. Good Corporate Governance should of course emphasise ethicality. Decision making processes should be transparent, consistent with the need to protect the competitive interests of the Company as otherwise Shareholders and other Stakeholders in the Enterprise would lose out. Internationally, Corporate Governance norms have been initiated through a judicious mix of the three available routes: legislation, regulation or self-discipline and free volition. Often, a fourth driver is also evident in the form of societal pressures.

A strong Corporate Governance is indispensable to a re-silient and vibrant Corporate Market and is an important instrument of investor protection. It is the blood that fills the veins of transparent corporate disclosure and high quality accounting practices. The essence of ‘Corporate Governance’ involves the development of a constructive relationship between different constituents of a Corporate Enterprise based on the principles of fairness, transparency and accountability. Such a mechanism enables Corporations to attract monetary and human resources, enables Board to monitor the performance of the management, crucial for the assigned role of running the enterprise for the common benefit of all constituents. Economic resources would flow only to Corporations having impeccable Corporate Governance credentials. For the developing economies seeking to integrate with the global economy, corporate governance is of critical importance, as it is the key parameter used for evaluation by global investors or strategic partner. Corporate Governance is also about ethical conduct of business. It is concerned with code of values and principles which guide a person to select between right and wrong. Only when the culture and mindset of the management changes will the standard of corporate governance improve. Some of the benefits of good corporate governance practices are often not quantifiable or measurable but they make significant impact on the image and reputation of the Company as perceived by outsiders.

BRIEF REVIEW OF OVERSEAS DEVELOPMENT ON GOVERNANCE ISSUES

1. United States of America

Corporate Governance in USA is the Anglo Saxon System which is very much based on the individual and short-term market orientation. Historically speaking, the US ownership and governance structure by and large is dominated by large Public Corporations, most of which have dispersed Shareholders with small percentage holdings and relatively little or no voice in Corporate Governance. Initially, the American Corporations raised money from the small investors and over a period these Corporations witnessed shift in ownership pattern from the fragmented one to the ownership of domestically located institutions. However, ownership concentration of power in the hands of institution has become a matter of challenge to the Corporate Governance. America being the focus of investments and international trade is capable of absorbing multiple governance systems specially based upon the multilateral trading mechanism. Development of the US Securities Market suggests that Securities markets in America developed to a remarkable degree during the 19th Century. While the origin of the New York Stock Exchange (NYSE) dates back to 1792, it was not until after the Civil War that the market grew significantly, with rail roads constituting a significant portion of the early listings at the Exchange. By 1880 trading volume reached sufficient levels when a
continuous auction market system was instituted and securities of the growing industrial sector began to be listed. The Accounting Standards that are employed today have been left largely in the hands of the Private Sector with only minimal interference from the Securities Exchange Commission (SEC). With the onset of regulation, essentially the private standards were mandated and refined through SEC regulation to provide the most detailed disclosure and financial reporting requirements in the World. In short, the US Capital Market is an efficient Capital Market. Liquidity in these markets is relatively high, even for Smaller Companies, compared to liquidity and transparency that attracted large foreign investors to the US Markets.

2. United Kingdom

Corporate Governance System in UK is also based on individualism, competition, short-termism and a belief in market-oriented capitalism. The key players in this model are the institutional investors, particularly the big Insurance Companies and Pension Funds. Until recently, these owners of British Industry have played merely a passive role in the Companies they own. This passive role started to change in the late 1980s when the extent of Merger and Acquisition Activity removed executive management in the effective Shareholders control. This undermined further any conception of Shareholder democracy that still existed, alienating Shareholders from the decision-making process. This, along with management buy-outs, leveraged buy-outs and general capital restructuring, has obliged institutional investors to play a more active role in their involvement in Corporate matters.

Both in U.K and the U.S, moreover, ownership is widely dispersed among a large number of institutions or individuals. Most of the equity of quoted UK Companies is held by institutions, but no one institution owns sustainable share of equity of any one Company. In the U.S, the largest category of Corporate Shareholders are individual.

3. Germany

German Capital Market developed into efficient Security Market primarily because of the role played by the big German Banks. Barriers to entry to Capital Markets were first created in 1884 when the German law restricted corporate access to the Stock Exchanges. This was accomplished by increasing the minimum size of a public offering and length of time a Company had to be in existence before it, could list its Shares on an Exchange. Such restrictions on listing, by forcing smaller Companies to deal with the banks, ensured that debt would become the dominant form of financing in Germany and not equity, as was in the United States of America. It must be pointed out that the disclosure standards in Germany were also not up to U.S standards. German Accounting System appears to provide far less information than U.S System. German Corporations can freely create reserves that can be used to mask earnings dips in bad years. German System of Corporate Governance is based on two-tier Management Structure, comprising the Vorstand or Management Board, which is entrusted with the day-to-day running of the Company and the Aufrichtsrat or Supervisory Board, whose job is to supervise the Management Board when necessary and to participate in long-term strategic decisions. On the Supervisory Board there are both Shareholder and Employee’s representative controlling the managing board, increasing accountability to a greater range of stakeholders, reducing institutional pressures upon board of directors towards short-term decisions and allowing for longer-term strategic planning. Thus, German Corporate Governance System with its supervisory board is in many ways a superior governance system to that of the Anglo-Saxon Model but it has some inherent problems. However, such a system ignores the interests of small Shareholders, is over-secretive, and is ill-designed to cope up with the pressures of international investment or the global market for Companies. Henceforth, the Governance System is relatively strong, although quite different from that of the United States. The strength of the German Governance System is in maintaining labour loyalty in low-growth or shrinking Sectors.

4. Japan

The System of Corporate Governance in Japan is perhaps the most remote and exotic of any of the developed World. This is primarily because this System heavily relies on trust and relationship oriented approach to Corporate Governance. However, recently Japanese Companies have started diversifying into unrelated areas often resulting into conflicts of interest between different stakeholders. Another important feature of Japanese Corporate Governance is the reliance on cross-shareholdings. Nearly 200 trillion Yen of Stock is held under reciprocal Shareholding Agreements. The governance shows that influence of such a mechanism is decreasing and the Corporate Governance in Japan is in transition. The growing competition in the Capital Market is also likely to change the Japanese Corporate Governance and the big institutions have started realizing their obligations to maximise Shareholder’s value. It is worth noting that now Corporate Governance issues
have become conspicuous in Japan which is becoming fully integrated with the International Financial World and the Country has to learn to adopt both Social and Regulatory System. It is worth noting that the excesses of 1980 and financial scams which were witnessed in the political system, several amendments were made in the Japanese Commercial Code permitting Shareholders to have an access to the Company books. Shareholders have also been given right for filing suits. From a Corporate Governance perspective, these developments are likely to have profound effects in the corporate behaviour. The recent research studies on the working of the Corporate Sector have also revealed that there has been a constant external pressure on managements to enhance financial returns to Shareholders. Further, the slow down in the economy is compelling the Japanese Corporations to raise money from international players and this is likely to bring about change in the rules of the Corporate Governance. There being pressure for more disclosure ensuring greater degree of transparency and other substantive Corporate Governance reforms in order to bring the nation’s system closer to the U.S. and European Models. However, the cultural and historical traditions are a significant obstacle to change the Japan Economy. Until only twenty years ago there were statutory limitations on the level of foreign ownership of most of the leading Japanese Companies and its board have not been exposed to the pressures facing the challenges of the Directors [in Europe and the United States]. Recently, there has been a trend to add External Directors to Japanese Boards. Because of the prolonged weakness of the Japanese economy and stock market, Companies have been more willing to seek outside sources of Public and Private Equity Capital which has led to a greater interest in the adoption of American Management Techniques including the use of Independent Board of Directors and separate Board Committees for compensation and other matters. It quote in this context, SONY has been adopting a number of practices, including Board Committee Structures that will separate the nominating, audit, and compensation committees. However, in recent times, the mind-set in Japan is also changing. There is much more awareness of the role of Shareholders, element of transparency especially when it comes to environmental issues. Shareholder Rights Movement has developed in Japan, led by an Organization known as Kabunushi Ombudsman (KO), a non-profit group, founded in 1996, consisting of Lawyers, Accountants, Scholars, and individual Shareholders. Its goal is to monitor and reform Japanese Business Practices. One of KO’s proposal asks Boards of Directors to amend their Articles of Incorporation so that salaries and retirement bonuses of individual Directors are made public.

5. European Governance Principles Launched by ECGS in Paris

The European Corporate Governance Service (ECGS), a partnership of the leading Corporate Governance research and advisory groups in Europe, launched its European Governance Principles. The service aims to assemble current best practice standards in Corporate Governance from across Europe. All the Corporate research is undertaken by local market experts who have in-depth knowledge of local governance norms and market conditions. Key features of the Principles include equitable treatment of all Shareholders, rigour in auditing processes, separation of Chairman-CEO functions, majority independence in Board composition and independent, diverse Boards for nomination and remuneration functions.

6. Brazil

Brazil has earned high marks for its recent steps in the direction of Corporate Governance. Despite resistance from many of the founding families that control the Country’s publicly traded Companies, the Government had launched a sustained effort in the late 1990s to reform Corporate Governance practices. Novo Mercado was an important step in the direction of reform. This is an Exchange founded several years ago in Brazil for Companies that voluntarily abide by governance practices and disclosure requirements over and above those that are required by Brazilian Law. Novo Mercado’s requirements, which include the disclosure of insider trading by controlling Shareholders or Senior Managers, all serve to increase transparency. Companies on Novo Mercado also must report Balance Sheet information in accordance with U.S. Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS). In order to encourage more Companies to move in the direction of higher governance standards, Brazil has set up two intermediary listings, known as Levels 1 and 2. Foreign investors, lenders, and potential joint-venture partners may negotiate for governance concessions. Raising governance standards will help the Companies gain access to Capital, win preferred rates, get listed on foreign exchanges, and encourage joint ventures.

7. Indonesia

A broadly based National Committee on Corporate Governance (NCCG) was created in late 1999. The Committee comprised of 20 Members from the Public
and Private Sectors representing the legal and accounting professions, the Banks, State-owned Enterprises, Private Corporates, the Stock Exchange and important Government agencies such as BAPEPAM and the Ministry of Law and Legal Affairs. With the recent launch in Indonesia of the Partnership for Governance Reform the stage is now set for a concerted effort to support Corporate Governance reform in Indonesia. The NCCG has produced a Code of Good Corporate Governance that addressed issues relating to Shareholder’s rights and responsibilities, the functions and composition of the Boards of Commissioners and the Boards of Directors, internal and external audit, the role of the Corporate Secretary, Stakeholder’s rights and participation, monitoring of management decisions, timely detailed and accurate disclosure of management and financial information, confidentiality of information that can affect Share prices if it is leaked before it is officially made public and restrictions on the use of inside information for personal gain. Within the recently created Governance Partnership, the Asian Development Bank is also taking the lead in promoting good corporate governance in the Country but substantial help will also be provided by the World Bank and the bilateral donors. Indonesia is coming to grips with the benefits of openness, of the need for serious legal reforms and for ensuring respect for human rights, of instilling sound corporate governance and other positive changes. The lack of these basic ingredients of an open democracy in the past has caused Indonesia great pain and great cost. Corporate governance reform will become one of the most important items on Indonesia’s medium term economic reform agenda. Good corporate governance will also be an important element in ensuring a more transparent, fair and just society. Thus, urgent measures are needed to improve the business environment in general not only for large Corporates but also for small and medium enterprises that have the potential to be a major productive force in the economy as well as major sources of employment and income.

8. India

In India, Company Legislation has until recently been the main instrument for improving Corporate Governance. Tracing its origins to the mid-nineteenth Century and thereafter closely following similar developments in the United Kingdom, the Companies Act, 1956 was a consolidating legislation of monumental proportions and far reaching impact that significantly altered the structure of Corporate Management in India. The Governance initiatives through regulation have also made significant strides in the Country. The Securities and Exchange Board of India (SEBI) plays a pivotal role in the on-going programme of reforming the Primary and Secondary Capital Markets. The Stock Exchanges in the Country also mandate several salutary requirements through their Listing Agreements that every publicly traded Company has to comply with. Among the Professional bodies, The Institute of Chartered Accountants of India has emerged as a mature body regulating the profession of Public Auditors and counts amongst its achievements, the issue of a number of Accounting and Auditing Standards. Constitution of an Independent National Advisory Committee on Accounting Standards has been legislated by the Amending Act of 1999. Further, the Institute of Cost and Works Accountants of India and the Institute of Company Secretaries of India have also helped in promoting and regulating a well trained and disciplined body of professionals who could add value to Corporations in improving their management practices. The Institute of Company Secretaries of India has also taken a major initiative in constituting a Secretarial Standards Board comprising Senior Members of eminence to formulate Secretarial Standards and best Secretarial Practices and develop guidance note in order to integrate, consolidate, harmonize and standardize the prevalent diverse practices with the ultimate objective of promoting better Corporate practices and improved Corporate Governance. While, admittedly, some of the Indian Companies compare most favourably with the best elsewhere in the World in the field of professional management and corporate governance, the vast majority has been languishing with outdated practices nurtured during the years of insulated economic environment in the Country for the better part of its post-independence history.

The liberalisation initiatives of the nineties have exposed the inefficiencies of many of these Organisations which are trying to come to terms with the paradigm shift in doing business. Changing with the times, Industry Associations have taken the initiatives to come up with guidelines for their Member Companies in the area of Governance. A formal effort was initiated by the Confederation of Indian Industry (CII) when it produced in 1998 a document titled “Corporate Governance - A Desirable Code” which for the first time formally recognised the obligation of listed Corporations to create Corporate Wealth and distribute it among all their Shareholders. The need for transparency in reporting and the imperatives of having independent non-executive directors who could protect the interests of Shareholders were clearly articulated. A similar initiative was mounted by SEBI with the constitution of a Kumar Mangalam Birla Committee
Governance Norms: Global Attuning

(KM B) under the Chairmanship of Shri Kumar Mangalam Birla. The Report recommended for guidelines on Corporate Governance published in February, 2000, was a well balanced compendium of good practices that would place the Corporates in good position in their efforts to implement good governance. Some of these recommendations however have been categorised as mandatory and have since been incorporated in the Listing Agreements of the Stock Exchanges. The Reserve Bank of India has also appointed a Committee to report on governance requirements specific to banks and financial institutions. The Constitution by the Department of Company Affairs (DCA) of a Study Group to report on improving Corporate Excellence through governance was also in itself a further initiative in the direction of enhancing the corporate image of India. MCA (formerly DCA) in its latest effort is currently engaged in the exciting task of enabling Indian Companies to excel in a globally competitive market, create wealth for the Shareholders and to the Nation by promoting an investor friendly environment and is constantly reviewing the needs of Corporate Sector and its constituents for encouraging better Corporate Governance. It would also facilitate adoption of best practices and suggest new benchmarks for better corporate performance. Highly proactive and progressive in accepting the challenges of change, MCA has come up with a new wave of encouraging innovations in Corporate Governance and state of the art technologies to create wealth, enhance Shareholders value, increase transparency, promote accountability, ensure investor protection and facilitate corporate excellence through its dynamic MCA – 21 Programme which would further enhance the scope of Corporate Management in the Country.

Accordingly, keeping in pace with the changing scenario, several Companies have already begun adopting many of the desirable Corporate Governance practices, especially in reporting ahead of stipulated time, full appreciation must be given to the sustained efforts of the Government and of course also to the impact of globalisation in accessing international markets for their capital requirements. With the Listing Agreements mandating compliance of some of the KM B Report and further the recommendations of the Narayana Murthy Committee Report with its revised Clause 49 of the Listing Agreement and recently, the Report of Dr. J.J Irani Committee on New Company Law would further sharpen the governance skills in the Corporate Management of Indian Companies keeping in view the parameters of the liberalized International Business Environment. Thus, there is an ongoing need for constant review and course corrections that would keep the Country in the pink of health in terms of its Corporate Excellence. By a judicious mix of Legislation, Regulation, and Control, this task needs to be addressed. With growing maturity and competitive compulsions, it should be possible to gradually reduce legislative interventions and increase regulatory compliance with and self-induced adherence to the best practices in this field. Globalisation has opened up an array of opportunities to Corporate India.

Ethical Parameters for the effective Corporate Governance

— Purpose

The mission of the Organisation should be communicated from the Top Management level since the Organisation is guided by the values, hopes and a vision that helps to attain overall objectives.

— Pride

The feeling of pride to be a valuable part of the Organisation to fulfill the mission with zeal and maintaining ethical parameters.

— Patience

Maintaining ethical values would lead the Organisation to achieve success in the long term. This involves maintaining a balance between obtaining results and means to achieve those results.

— Persistence

Commitment to live by ethical principles which should be consistent with the purpose of the Organisation.

— Perspective

The Managers and Employees are the identifiable and most important components of the Organisation's goodwill, reputation and status in the society, state, country and World at large requires management practices to develop, retain the right man to the right job in the Organisation's hierarchy.

BEST PRACTICES IN CORPORATE GOVERNANCE: AN INDIAN AND INTERNATIONAL POSITION REVIEW

The best practices in the field of Corporate Governance may broadly be grouped under the following four categories:

— Corporate Boards and Directors,
— Operational Management and Control,
The challenge for Indian businessmen will be to think global, be culturally astute, self-confident and assertive in developing their business. In India, stock options issued by listed companies are regulated by the SEBI (ESOP) Guidelines, which was expected to usher better Corporate Governance. The disclosures and the compliance requirements under the SEBI (ESOP) Guidelines are quite elaborate meeting the parameters of International Accounting Standard. Such disclosures are required to be made in the Directors' Report. Many corporate houses in this connection basically deals with laws, procedures, practices and implicit rules that determine the group company’s ability to take informed managerial decisions vis-a-vis its principal stakeholders—shareholders, creditors, customers, the State and employees.

Thus, Corporate Governance Policy in most cases is a revolving phenomena containing the following elements:

- An independent and effective Board of Directors.
- Good audit process and reporting.
- Adequate and timely disclosure of information.
- Transparency.
- Participation of Shareholders in decision making.
- Maximising Shareholder’s value.
- Meeting social obligations.

Infact, Corporate Governance reform movement has become an even more pressing issue in emerging markets, where demand for growth capital is the driving force. Investors will pay more for a well-governed company and the premium they are willing to pay goes up in the developing Countries across the globe.

FACTORS AFFECTING CORPORATE GOVERNANCE PRACTICES

Reformers are pressurizing the companies around the globe to be more accountable, but no two countries are alike in their approach. After the scandalous collapses of Enron, Worldcom, and others, the reform of Corporate Governance has been seared into the social agendas of many countries and companies. Yet this trend, which has the potential to transform corporations wherever they do business, is not being driven by scandal alone.

The globalization of business and capital markets has created incentives and pressures that support or spur a range of reforms. In the United States, for example, corporate officers and Board of Directors are struggling to decide the best ways to make Board of Directors more accountable and more effective in their oversight. These concerns are not confined to the United States, the reform movement that has spawned these struggles is having a similar effect on Business people, Investors, and creditors all over the world.

The following factors requires serious consideration for the practical analysis of the Corporate Governance reforms sweeping the world:

(a) **Accountability to the people** in terms of quality of service, timeliness, courtesy, people orientation and readiness to encourage participation of and form partnership with citizen groups for responsive management.

(b) **Consistent, equitable and honest in treatment** of public, particularly weaker sections of Society and not even be or appear to be unfair or discriminatory. Decision in pursuit of discretionary powers should be justifiable on the basis of non-arbitrary and objective criteria.

(c) The obligation **to recognize and enforce Customer’s right** for speedy redressal of grievances and commit themselves to provide services of declared quality and standard to Customers.

(d) **Right of public to information** on all activities and transactions of the Organisations except where they are debarred in the public interest from releasing information by provisions of law or by valid instructions.

(e) **Concern for value of public asset and funds** by avoiding wastage, extravagance and ensure effective and efficient use of the public money within their control.

(f) **Non abuse of official position** by making decisions on merits and not using the official position to influence any person to enter into financial or other arrangements with them or with any one else or obtain any benefit for themselves or for someone else in financial or some other forms.

(g) **Continuous improvement through professionalism and teamwork** by upgrading and sharpening knowledge and skills, striving for creativity and innovation and nurture values of team working and harmony, supporting the
efforts of the juniors to resist wrong or illegal directives and to assist in abiding by the Code of Ethics. Reward good work and punish any dereliction of duty and obligations based on objective and transparent criteria.

Having looked at the dynamics of the factors that affect Corporate Governance, we may now examine how the concept of Corporate Governance can be implemented. In other words, turning rhetoric into reality. Implementation depends on two players. The first is the Management of the Enterprise itself and the second player is the State. So far as the management of the Enterprises is concerned, it is the values cherished by the Management that determines the level and quality of Corporate Governance in an Enterprise. It is possible for an Enterprise to observe the highest values of Corporate Governance even while operating in a Country where the public governance is bad and there is corruption. Public governance is determined by the State which sets up the regulatory agencies as well as the legal framework and the ground rules for Capital Market institutions like Stock Market. It is worth exploring the nexus between the Corporate Governance and Public Governance in this context.

Nexus between Public Governance and Corporate Governance

Corporate Governance depends upon two factors namely, the attitude and the values cherished by the management of the Business Enterprise and the external environment in which the business operates. The external environment in which the business operates would include the legislation relating to the functioning of business enterprises, covering the entire spectrum from registration of companies, their structure, and settlement of disputes, laws relating to the capital market and punishment for bad practices like insider trading and so on.

Public Governance on the other hand is broadly connected with the running of the Government of a Country and ensuring that the rule of law prevails. There has to be fairness and transparency in the system of justice. If the Public Governance is not conducted on healthy lines and if there is corruption, then there is no fairness. If the quality of Public Governance suffers, Corporate Governance then becomes more difficult. It can definitely be said that while the management of an enterprise can still be ethical and try to maintain its internal Corporate Governance. If the environment in which it operates is not clean then it may not be successful or even if successful, it will find it very difficult to operate. Henceforth, Public Governance describes the way a country is governed. Every country has a system of governance operated through a framework of laws.

ESSENTIAL ELEMENTS OF CORPORATE GOVERNANCE

There are three essential elements of Corporate Governance. The first is transparency in operations and decision-making. This leads to the second element namely accountability since better transparency procedures enables to fix responsibility and ensure accountability. The third element is the accountability for the Stakeholders. In the case of Shareholders it could be return on investment and safeguarding their investment. This will mean that the Managements of the Enterprises will have to ensure that the decisions taken by them create wealth and do not destroy wealth. The significance of Corporate Governance as the basic requirement for a healthy global system of trade. It must be stated that the Corporate Governance also refers to the effective implementation of State supported actions and the management of research and innovation by organisations that have been allocated responsibilities from the State. Some of the virtues of best Corporate Governance Practices are as follows:

— Professional, management oriented leadership, decentralization and increased local autonomy in resource allocation.
— Management by objectives, using quantitative indicators.
— Increased use of competition and markets as well as privatization.
— Separation among Customers and Contractors in the production of public services.
— De-integration of traditional Administrative Institutions.
— A focus on the State as a producer of public services.
— Increased use of incentives, contracting and local autonomy on wages.
— Reduced costs and increased budgetary discipline.

BENEFITS OF CORPORATE GOVERNANCE

One of the key benefits is that it will lower the cost of capital for companies. This will improve returns to Investors. But that can only take place if Investors are confident and that the companies are being run in the long-term interests of shareholders. Sophisticated
executive team of management are increasingly recognizing this concept and are taking steps to meet, or even exceed, governance norms within their Industries and Nations. Increasing compliance can create a host of additional challenges for the New Millennium.

Figure 2: Corporate Governance Model
CORPORATE GOVERNANCE - KEY TO SUSTAINABLE WEALTH CREATION

With growing dominance of the markets and emphasis on immediate gain people’s behavior is guided almost exclusively by prudential and not moral consideration. They obey the rules, remain within the law, follow the norms, respect values only if they calculate that these will benefit them personally. In a policy driven by competitiveness and aimed to enhance the authority of markets, individual action has little to do with ethical behavior. The centrality of Corporate Governance lies in its emphasis on transparency. It is far easy to say but most difficult to implement. In our rapidly changing economy variations are an integral part of business. More and more people today, individuals and groups expect a business organization to adopt a triple bottom line approach, be economically viable while becoming, environmentally and socially responsible. They also expect the business to be inclusive and ethical. A corporation is a social institution whose responsibilities extend far beyond the well being of its equity owners to giving security and a good life to its employees, dealers, customers, vendors and sub-contractors. Their whole life hinges on the well being of the Corporations. Re-defining of the Corporation as a social institution is an integration of the worker as a partner in the industrial system and as a citizen in Society. If the capitalism is to survive, if it is to create wealth, it is absolutely essential that it adopts an inclusive approach to make it sustainable in the long period. The ultimate aim of good Corporate Governance must be to make Corporations good Corporate Citizens. Corporate citizenship calls for creating value for the Society as a whole and goes well beyond Corporate Social Responsibility or Corporate Philanthropy. With rampant changes taking place all around the World, Corporations have to develop Systems of regular communication within the Board and between the Board, Shareholders, Management, Government, Employees, Custom, Suppliers and the Civil Society. Corporations must clarify that they are not only creating value for the Corporations but making significant impact on the society by re-shaping community values, attitudes and cultures. The focus should not be only on financial capital but also the human capital, intellectual capital and environmental capital. Good Corporate Governance must aim on maximising the value of all Capital. With its belief in equity, fairness, transparency, legitimacy, integrity and responsibility, Corporate Governance is the best vehicle to improve quality of life for all and enhance the value of financial, human, social and environmental capital of this planet.

BOTTLENECKS TO GOVERNANCE NORMS - INDIAN AND INTERNATIONAL PERSPECTIVE

The problems of diversity are going to be one of the biggest challenges of globalisation that we will have to be faced in the future time period. By a wide margin, citizens feels that Government do not provide them with as much access to environmental information or opportunity to participate in environmental decision-making process. The gap is present in all regions and is not confined to Wealthy Countries. Much more must be done to transform Government promises and legal commitments into strong, integrated practices of access to information, public participation, and justice. Governments track changes in environmental quality over time, but fail to give the public access to different levels of detail or various presentation of the information. Countries pass new access laws, but fail to train Public officials and Judges about the new rights, and tolerate a lingering culture of secrecy and indifference to the public interest.

A. Present Indian Scene of Corporate Governance

— Companies are often run as if they were the Managing Director’s or CEO’s personal fieldom.
— Those at the helm care only about the principal Shareholders’ interests, any benefit to other Shareholders is only consequential.
— Majority of Directors are unaware that they are agents of Shareholders and their position is one of trust and faith.
— Participation of a Non-Executive Director in meetings whether of the Board or any Committee thereof is inversely proportional to the health of the bottom line — better the bottomline lesser the participation.
— Most Directors do not consider it necessary to update themselves on changes in laws, regulations, and so on, which affect responsibilities and liabilities of Directors.
— So long as the performance of the Company is satisfactory, Directors will not object or refuse to approve any proposal that the Management may put up for approval.
— Non-Executive Directors do not see themselves as watchdog of the owners.
— Board rooms are invariably filled up by ‘yes’ men who do not raise relevant questions and
assent to whatever proposal the management puts up.

— No director can join a board unless the appointment is endorsed by principal Shareholder or by the Chairman / CEO, therefore, can any such Director be independent if he/she will have to look for support of the principal Shareholder for his election as a Director. A person is invited to become Director of a Company only if he / she enjoys the confidence of Chairman / CEO through old School connection / social circle or is a golf club pal.

— Except in a crisis even Nominee Directors tend to play a passive role at Board Meetings and do not oppose the proposals of the Management.

B. International Scene which requires serious concern for Corporate Governance

— Lack of progress in mainstreaming the Environment.

— Access to information: A gap between policy and practice.

— An ad hoc and ineffective system of international environmental governance.

— The Institutions across the globe have often lacked detailed, upto-date knowledge of the Countries.

— There needs to be greater consideration of the social values and needs and the plight of the poor, which free markets may not be able to address adequately.

— There is a need for the development of domestic capacity and home-grown approaches to policymaking and implementation in poor Countries.

Thus, because each Country is different, it should be allowed to consider alternative strategies for development and make its own choice. The obvious starting point in this regard is capacity building to foster good governance. Capacity building programs should go beyond just technical training in narrow fields which are, of course necessary, but not sufficient. The development of talented young and emerging leaders into future leaders in the Political, Policy, Business and Civil Society Sectors who have:

(i) a global view and sound understanding of the realities and challenges of global geo-politics, finance and economics;

(ii) strong Private Sector mindsets—political and economic freedom, market-oriented policies, a competitive investment climate, spirit of entrepreneurship, etc.

— Most Countries education and information infrastructures are underdeveloped and therefore, talented young people often lack the resources, requisite education / training, broad knowledge, superb skills, access to global information and support networks, financial and intellectual support, etc. that they need to enable them develop into transformational leaders.

— By developing strong and effective networks through which they can pool and utilize their resources efficiently toward capacity building.

— Leadership capacity building, with a medium to long-term perspective, to develop talented young people (15-30 years old) with exceptional leadership potential into visionary, committed, uncorrupt, knowledgeable, competent, and transformational leaders with a strong Private Sector orientation in the public, private, and civil society sectors of the countries across the globe over the next ten to twenty years.

— Many traditional barriers and distortions to international trade, particularly that of the developing countries remain and must be addressed as a matter of priority. These obviously include peak tariffs, abusive anti-dumping actions and export subsidies on agricultural products.

DIVERSITY IN GLOBAL GOVERNANCE NORMS

In the majority of Nations, the populations consist of peoples of different ethnic groups and different religious cultural characteristics. In some countries there has been a longer history of diversity in their populations than in others, including countries in North America and Europe. In such Countries, the variety of diversity has been tapped as national resources. For example, in culture, arts, music, folklore, literature and skills. In many countries, including some of the older countries, where new diversities have been emerging, managing diversity is still a key challenge for national governance. Thus, the concept of diversity often becomes a decisive factor, and its unconstructive management produces a number of undesirable results. In Asia, there are
continuing tensions in places like India resulting from the Caste System and other forms of diversity and in Africa, there have been communal disturbances involving loss of lives in places like Algeria and Mauritania. The features of diversity in the international community have become wider and more profound with the proliferation of Nation / States. There are different features of diversity in the international community as follows:

(a) **Economic diversity** which is represented by the wide gap in development between the developed and developing Countries and by Organizations such as the OECD, the Group of 77, the Non-Aligned Movement, the South Commission, all of which serve the particular interests of their Members.

(b) **International Community** is the political diversity, although with the end of the Cold War, democracy and respect for human rights have become increasingly widely accepted norms of governance, the fact remains that countries across the World have different formats for pursuing these norms and are at different stages of their achievement.

(c) **Racial diversity** in the international community, racial diversity acquires more potent force, especially because categorization of countries on the basis of their dominant racial characteristics uncannily coincides with their categorization on the basis of economic development.

(d) **Religious-cum-cultural diversity** at the international level. Besides, if the necessary global coalition for the campaign is to be sustained, it will continue to be important to through high moral values.

(e) **Diversity of size** in the global community, accounts for differences in the size of the population of the countries, some have populations of over one billion such as in China and India while others have population of 100 million and over and others have populations of just a few thousands.

**MEASURES FOR EFFECTIVE GLOBAL CORPORATE GOVERNANCE**

Companies should pay closer attention to their internal cultures, since it affects the profits, compensation and ultimately the governance. Long-term planning and good governance go hand in hand. Large companies know they can be taken down by one individual or one freak event thus creating the conditions for longevity and sustainability. Governance issues can be especially thorny for International Companies. Cross-border political risk and regulatory arbitrage are also important issues, operating in multiple countries are indeed, complicated issues to be examined. Determining which laws and regulations apply is a very complex process. Regulators need to clarify what the rules are in different countries. At the same time, companies should have both decent local coverage and corporate coverage. The challenges of Corporate Governance is a critical issue which requires closer examination. But with pressure for change coming from many directions—regulators, investors and the global business community— one thing is clear that despite the growing high-level attention devoted to better Corporate Governance there remains much tactical work to be done such as aligning technology with increasing demands for transparency. Companies need to review their compliance architectures and strategies for enterprise management. Risks abound, but companies that can harmonize their internal processes, systems, and cultures with broader global governance imperatives will have the ultimate advantage in the sustained development of the Country. The areas where the need for arrangements for global governance have been widely recognised but is yet to be met, mainly because of the inability to manage successfully the perceived interests of the diverse component parts of the international community can be summarised as follows:-

— Firstly, there is a widely recognised need for global governance in the area of sustaining the environment and the survival of the planet.

— The secondly, area is maintaining the security not just of nations but, increasingly, of peoples, especially as the acceptance of universal norms and declarations in areas such as human rights.

— Thirdly, there is the widely recognised need for global governance in the area of expanding national and international economic activity, especially as trade and financial flows are crucial elements of the growing globalisation.

— All international dialogue concerned with arrangements for global governance should begin with due emphasis on the fact that the intended beneficiaries of the arrangements must be seen as members of one common humanity.

It follows from all this that for effective global governance in any area of global concern, it would be important to have a collective executive machinery.
which must, at all times, enjoy the confidence of the diverse sections of the global community.

**Tentative steps towards Decentralization and Regional Co-operation:** At least 60 developing Countries claim to be transferring political powers over local resources from the Central Authority to more local units of Government. Thus, decentralization process if carried on well can bring lucrative results that are more acceptable to local people and more effective at meeting the environmental management goals.

**The rise of a new phenomenon of Corporate Social Responsibility:** An Organisation receives inputs from the society and environment in the form of workforce and raw materials and sends output to the society in the form of goods and services. Thus, an organisation exists because of the society. In order to survive, the business in turn must take care of the society and the environment. This realisation has led to an increasing focus by firms on examining their social responsibilities and the development of a new term in management: Corporate Social Responsibility (CSR). It may be defined as 'the ethical behaviour of a Company towards Society. CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and Society at large'. CSR can be undertaken with a good blend of ethics, accountability and good governance. Ethical behavior of the Top Management, acting in the goodwill of the public at large, keeping greed at bay which will ultimately result in building a sustainable business. Thus, it is in the self-interest of the company to undertake CSR. The financial health of a company in the long term depends to a large extent on factors such as environment protection and responsiveness to the Society. The other various benefits that may accrue to the company can be in the form of enhanced visibility, reputation and loyalty of employees, customers, suppliers, lenders and investors. Many large corporations have started taking CSR seriously, working with NGO’s, government and voluntary workers to look at the problems plaguing the society and environment. For CSR to be more than a buzzword in the days to come Top Management support will be essential. CSR is gaining increasing importance in domestic and global business agendas. Globalization is the key driving force, providing a fertile ground for focusing on issues of CSR.

**Genesis of ICSI National Awards for excellence in Corporate Governance:** The Institute of Company Secretaries of India has always been proactively engaged in catalyzing the Corporate Governance culture in India. To fulfill the twin objectives of creating wide spread consciousness towards Corporate Governance among the Indian Corporate Citizens and to reward excellence in the practice of good governance, ICSI instituted the “ICSI National Award for Excellence In Corporate Governance” in the Year 2001.

**Objectives of the Award**

The institution of the Award aims at promoting the cause of Corporate Governance by:

- Recognizing Leadership efforts of Corporate Boards in practicing the Corporate Governance Principle;
- Recognizing implementation of innovative practices, programmes and projects that promote the cause of Corporate Governance;
- Enthusing the Corporates in focusing Corporate Governance practices in corporate functioning and implementation of Corporate Governance norms in letter and spirit.

**INDIA : VYING FOR GLOBAL ATTUNING IN CORPORATE GOVERNANCE**

Voluntarily benchmarking own corporate governance standards with international best practices is a matter of pride and stems entirely from the mindset and attitude of CEO / Chairman of the corporate sector. Hence, no amount of regulation can enforce the true spirit of good Corporate Governance practices in a company unless it comes from within the organisation spirit. There is a need to create a platform to bring together different stakeholders such as the Public, Media, consumers, Employees and NGO’s who can play a pivotal role in this regard. Increasing awareness of the consumer and other stakeholders puts pressure on the companies to be more accountable and transparent. Issues of the credibility of reporting and information disclosure can be addressed by independent certification mechanisms, which need to integrate developing country concerns in their framework.

(i) developing local leadership to ensure success of community-based programmes;
(ii) role of academics in fostering better corporate-community relationships;
(iii) increased social and environmental responsibility on the part of Vendors, Suppliers and Contractors;
(iv) smoother Industry-Government interface for setting more realistic and achievable environmental norms and standards.
(v) Transparency and trust essentially govern corporate behavior.

(vi) Stressing on the need for sharing successful case studies of environmental and social stewardship by Corporates.

(vii) Effective reporting against three elements of sustainable development: economic, social and environment. These reports should be verified by independent agencies.

(viii) Society comprises of customers and hence corporate responsibility towards society is important for Business.

It must be noted that the Companies that provide good governance, both in terms of practices and results can expect the backing not only of Investors but of customers as well. Good Governance means that the Board agrees to be accountable to the shareholders and as a result takes responsibility of directing and controlling the management. Thus, in the present changing environment, keeping everyone happy is not that easy task for a Corporate House. To attract and retain the commitment of Investors, Customers, Partners, Competitors and Employees, a Corporation has to match the global standards of Corporate Governance. India must not only speed up the process of attuning to international regulations to be successful in transmitting its values to the rest of the world, but also embark on creating the specialized atmosphere needed for the task. The improved legal framework must also be provided. Since there are many authorities that pass regulations, one of the initial difficulties is to harmonize these decision-making centers. Improving the country’s law-making structure is necessary to engage in a win-win interaction with the global community. To do so, values in conformity with Total Quality Management (TQM) must be promoted. Regulatory Authorities must correct their orientation so that their decisions will be in line with the realities of WTO and pave the way for receiving expert views from the elite within the framework of TQM. The Government must also devise a mechanism to enable real and legal entities contact officials for clarifying any context, standard or decision that will attune regulations of the country with those of the WTO. In this way, the resulting qualitative synergy could be used to improve efforts to adapt policies and regulations for implementing the TQM System.

To attune our administrative affairs with other countries, we must not only attach more importance to our values, but should also pay attention to the demands of international customers. Increasing awareness of various matters will deepen the understanding of customers about what is happening inside the country and prevent unrealistic speculations. Comprehensive global standards systems such as Total Quality Management (TQM) and greater synergy resulting from engaging in foreign trade as stipulated by the World Trade Organization are examples of this evolutionary process. Regulations related to foreign investments in the country need revision to be attuned to global conditions.

Further, the Companies should fulfill norms for Stock Exchange Listing Capital mostly subscribed by retail and institutional Investors. More number of Investor’s Compliance of Listing/ Governance Norms, continuous and elaborate disclosure of information, scope of business and management will properly benchmark it with the International Capital Markets.

I. Role of Regulatory Institutions

The quality of regulation determines the quality and character of institutions and intermediaries. The very reason for the regulation to progress at such faster pace is the co-operation and willingness of the institutions to adopt practices that are considered prudent and practical. In this context it may be important for the Regulatory Institutions viz, SEBI, RBI, Ministry of Company Affairs, etc. to:

— Create a level playing field in respect of regulation for various types of markets to the extent possible.
— Keep costs of regulation and compliance not too heavy and overlapping.
— Encourage exchanges to design new options in new issuance.
— Prepare industry-wise studies for comparison of costs and returns and assessing them in terms of compliance, transparency and disclosure norms.
— Assess and indicate emerging risks in different types of markets that could keep investors aware of the outcome of their choices.
— In case of a crisis not to be too harsh that could severely damage prospects of the markets for the deviations committed by few of the participants.

II. Role of Stock Exchanges

— Create new windows that could enable new
generation and small companies to access new issuance markets.

- Create a separate mechanism that continuously examine and assesses emerging trends in new issuance products and create databases that could establish the efficacy and efficiencies of the public equity capital markets.

- Create continuous and focused awareness and education campaigns for Investors on the importance and advantages of public equity markets and to promote inter-exchange cooperation to share the experiences and evolve mutually rewarding strategies and solutions.

- Evolve specific task forces with the help and support of the Government and Regulators to study implications on key and emerging developments in financial markets.

CONCLUSION

In the overall analysis, it can be stated that the spirit of globalisation has opened up an array of opportunities to corporate India. To emerge successfully, there are no soft options available and the Indian corporate sector must necessarily turn to good governance in its pursuit of competitive excellence in a challenging international business environment. In conclusion, the common challenge in every effort is to agree and implement measures for global governance in any area of concern to the whole international community is how to manage the diverse perceptions and interests of the different groups of people and the States within the international community. It is undeniable that some limited progress has been made in some areas like trade, through the WTO, financing through the World Bank and the IMF, environmental protection through the various related International Conferences viz; the Rio Summit of 1992. Further more, the economic, social, and political conditions that shape environmental decision-making are evolving quickly and the challenge of good environmental governance has become more complex issue in the present stage of development. It is ardently required to change the paradigm from individualism to integration, tangibles to intangibles, capital to knowledge, objects to relationship, parts to the whole, domination to partnership, from structures to process, growth to sustainability, confrontation to collaboration and from covering up failures to owning them up. Sustainable development, which is the objective of many countries, has made such countries to enact harmonious laws and establish win-win trade relations. These laws are based on the three pillars of Society, Economy and Environment. In today’s organizational set-up it is no longer adequate to ‘rule and divide the world in parts by designing structures, schemes and systems in order to obtain clarity, certainty and productivity but having a participative and integrated mechanism ensuring consistency, harmonistic and optimistic business system which can face the challenges of the modern, highly complex and changing business environment.

BIBLIOGRAPHY

1. The Economic Times Newspaper.
2. The Chartered Secretary Journal.
7. SEBI Circular for the Revised Clause 49 of the Listing Agreement.