

Corporate Governance for Future Corporate Governance Executives: A Comparative Study among CA and CS Professionals

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Abstract: *Corporate governance is a set of rules that define the relationship between stakeholders, management, and board of directors of a company and influence how that company is operating. At its most basic level, corporate governance deals with issues that result from the separation of ownership and control. However, corporate governance goes beyond simply establishing a clear relationship between shareholders and managers. Corporate Governance gained its momentum in the recent past. Most of the companies are showing less importance to Corporate Governance. There should be awareness of Corporate Governance from the grass root level i.e., it should be inculcated in professional graduates and students of Chartered Accountants and Company Secretaries. A corporation is a congregation of various stakeholders, namely, customers, employees, investors, vendor partners, government and society. A corporation should be fair and transparent to its stakeholders in all its transactions. This has become imperative in today's globalized business world where corporations need to access global pools of capital, need to attract and retain the best human capital from various parts of the world, need to collaborate with vendors on mega collaborations and need to live in harmony with the community. Unless a corporation embraces and demonstrates ethical conduct, it will not be able to succeed. The present study focuses on understanding level of the concept of corporate governance among CA & CS students and to assess the sources of learning of corporate governance among CA & CS students.*

Keywords: Corporate Governance, Chartered Accountants, Company Secretaries, committees etc.

1. History

1.1a. Pre-Liberalization

When India attained independence from British rule in 1947, the country was poor, with an average per-capita annual income under thirty dollars. However, it still possessed sophisticated laws regarding "listing, trading, and settlements." It even had four fully operational stock exchanges. Subsequent laws, such as the 1956 Companies Act, further solidified the rights of investors.

In the decades following India's independence from Great Britain, the country turned away from its capitalist past and embraced socialism. The 1951 Industries Act was a step in this direction, requiring "that all industrial units obtain licenses from the central government." The 1956 Industrial Policy Resolution "stipulated that the public sector would dominate the economy." To put this plan into effect, the Indian government created enormous state-owned enterprises, and India steadily moved toward a culture of "corruption, nepotism and inefficiency." As the government took over floundering private enterprises and rejuvenated them, it essentially "converts private bankruptcy to high-cost public debt." One scholar referred to India's economic history as "the institutionalization of inefficiency."

The absence of a corporate-governance framework exacerbated the situation. Government accountability was minimal, and the few private companies that remained on India's business landscape enjoyed free reign with respect to most laws; the government rarely initiated punitive action, even for nonconformity with basic governance

laws. Boards of directors invariably were staffed by friends or relatives of management, and abuses by dominant shareholders and management were commonplace. India's equity markets "were not liquid or sophisticated enough" to punish these abuses.

Scholars believe that "takeover threats act as disciplining mechanism to poorly performing companies" because as the stock price of poorly governed firms decreases (because disgruntled investors discard stock), the firms become susceptible to hostile-takeover attempts. Thus, "the fear of a takeover ... is supposed to keep the management honest." However, until recently, hostile takeovers were almost entirely non-existent in India, and therefore, the poorly governed Indian firms had little to worry about in terms of following corporate laws once they had raised capital through their initial public offering. Thus, corporate governance in India was in a dismal condition by the early 1990s.

1.2b. Post-Liberalization

In 1999, in a defining moment in India's corporate-governance history, the Indian Parliament created the Securities and Exchange Board of India ("SEBI") to "protect the interests of investors in securities and to promote the development of, and to regulate [,] the securities market." In the years leading up to 2000, as Indian enterprises turned to the stock market for capital, it became important to ensure good corporate governance industry-wide. Additionally, a plethora of scams rocked the Indian business scene, and corporate governance emerged as a solution to the problem of unscrupulous corporate behavior.

2. Definition

“The system by which companies is directed and controlled” (Sir Adrian Cadbury Committee, 1992)

“Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders” (Institute of Company Secretaries of India (ICSI), 2009)

“Corporate Governance deals with the rights and responsibilities of a company’s management, its board, shareholders and various stakeholders.” (Organization for Economic Co-operation and Development (OCED)

2.1 Need for Corporate Governance

Need for corporate governance arises due to separation of management from the ownership. For a firm success, it needs to concentrate on both economical and social aspect. It needs to be fair with producers, shareholders, customers etc. It has various responsibilities towards employees, customers, communities and at last towards governance and it needs to serve its responsibilities at the best at all aspects.

The “corporate governance concept” dwells in India from the Arthshastra time instead of CEO at that time there were kings and subjects. Today, corporate and shareholders replace them but the principles still remain same, unchanged i.e. good governance.

3. Objective of Study

1. To know about understanding level of the concept of corporate governance among CA & CS students.

3.1 Methodology

The present study makes use both primary and secondary sources of data. The primary data collected through well-defined structured questionnaire aimed to analyze awareness of the concept of corporate governance among CA and CS students. For which 100 students selected from the age group of 20 – 30 years, fifty students selected from CA group and 50 students from CS group, from Digvijay coaching centre, Sri Medha Institute for CA and Pavithra Academy, Hyderabad, Andhra Pradesh, India, adhering to the principle of random sampling. The data analyzed for each variable in the questionnaire made with the help of excel tables and diagrams. The survey conducted over a period of 3 months from August to October 2013.

3.2 Limitations of the Study

In an attempt to make this paper authentic and reliable, every possible aspect of the topic kept in mind. Nevertheless, despite of fact constraints were at play during the formulation of this paper. The main limitations are as follows: This survey was conducted within the city limits of Hyderabad and Secunderabad. This survey was conducted in October 2013 and the information collected

may only be relevant to limited time. The data collected through the questionnaire only resembles a sample of the population, so the information may be biased. People were hesitant to disclose the facts. The chances of biased response cannot be eliminated though all necessary steps were taken to avoid the same.

4. The Committee on Corporate Governance

Efforts to initiate corporate governance in country, The Companies Amendment Act, 2000 Many provisions relating to corporate governance such as additional ground of disqualification of directors in certain cases, setting up of audit committees, directors’ responsibility statement in directors’ reports, etc. were introduced by the Companies (Amendment) Act, 2000. Corporate governance was also introspected in 2001 by the advisory group constituted by the standing committee of International Finance Standards and Codes of the Reserve Bank of India under chairmanship of Dr. Y.V. Reddy, the then deputy governor.

Narash Chandra Committee, 2002 In the year 2002, the committee was asked to examine various corporate governance issues and to recommend changes in diverse areas such as the statutory auditor company relationship so as to further strengthen the professional nature of the interface the need for rotation of statutory audit firms or partners. The procedure for appointment of auditors and determination of audit fees restrictions, if any, on non-audit functions, independence of auditing functions, the need to consider measures such as certification of accounts and financial statements by managements and directors the necessity of having transparent system of random scrutiny of audited accounts.

Narayan Murthy Committee, 2003, The Company Law Amendment Bill, 2003 envisaged many amendments on the basis of reports of the Narash Chandra Committee and the subsequently appointed N R Narayan Murthy committee. Both the committees have done an excellent job to promote corporate governance practice in India.

5. Data Analysis

Table 1: Awareness about Corporate Governance

Awareness about Corporate Governance	Yes	No
Number of Respondents	70	30
Percentage	70%	30%

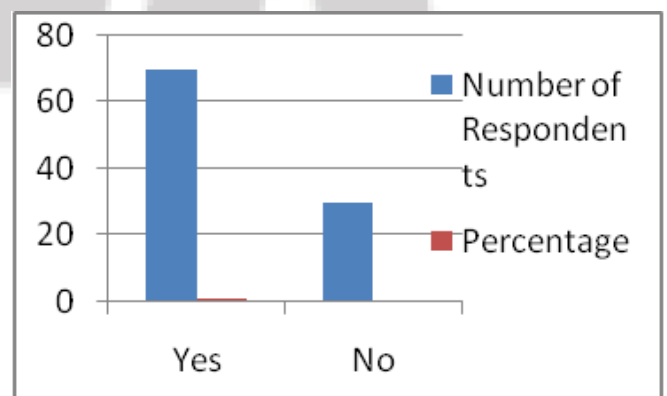


Chart 1

Interpretation: The above chart shows that 70 percent of the respondents aware of the term/ concept of Corporate Governance, remaining respondents i.e., 30 percent do not aware of the term Corporate Governance out of 100 respondents.

Table 2: Course Preference

Sr. No.	Particulars	particulars	Percentage
1	CA	75	75
2	CS	25	25

N=100

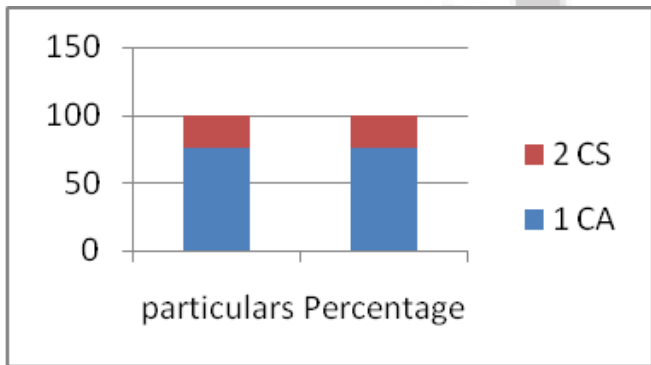


Chart 2

Interpretation: The above figure shows that 75 percent of the respondents opting Chartered Accountancy (CA) as their career and course option, remaining respondents i.e., 25 percent of the respondents opting Company Secretary ship (CS), as their career option.

Table 3: Gender Wise Segregation

Sr. No	Particulars	Frequency		%	
		CA	CS	CA	CS
1	Males	35	28	70%	56%
2	Females	15	22	30%	44%

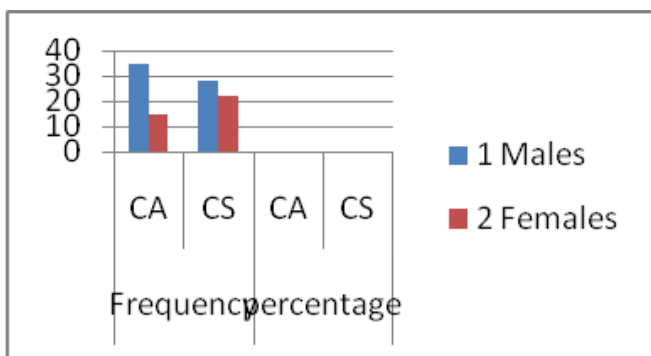


Chart 3

Interpretation: The above chart shows that out of 75 percent CA students 35 i.e., 70 percent are males remaining are females, out of 25 percent CS students 28 i.e. 56 percent respondents are males remaining are females. This shows that less females are opting CS as their career option.

Table 4: Demographic Factors

Particulars	Age Groups		
	21-24	24-26	26-30
Course			
CA	35	11	4
CS	21	19	10

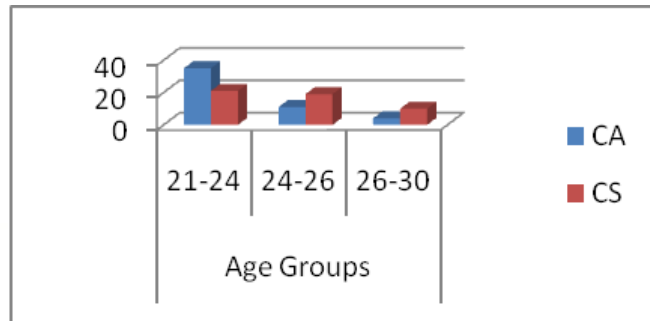


Chart 4

Interpretation: the above chart shows that 35 respondents are from the age group 21-24, 11 respondents are from the age group 24-26 and remaining is from the age 26-30 from CA branch. Out of CS 21 respondents falls under the category of 21-24 age group, 19 are from 24-26 years, remaining falls under 26-30 age group. It shows that most of the respondents from both CA & CS fall in the age group of 21-24 only.

Table 5: Corporate Governance Heard From These Sources

Sr. No.	Particulars	Frequency		Percentage	
		CA	CS	CA	CS
1	Faculty	22	25	44	50
2	Electronic Media	12	10	24	20
3	Newspapers	5	4	10	8
4	Magazine	3	3	6	6
5	Textbooks	8	8	16	16

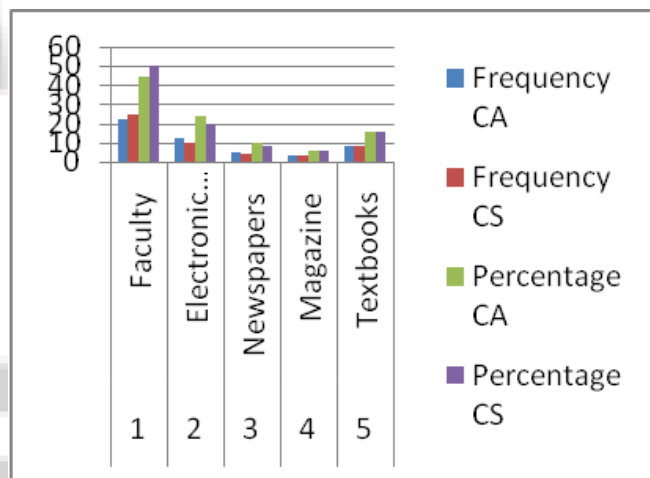


Chart 5

Interpretation: The above chart shows that 44% of the CA students heard the concept corporate governance from their faculty, 24% of the total respondents heard from electronic media, and 10 percent of the respondents came to know the concept of corporate governance from news papers, 6 percent are from magazines and remaining 16 from text books. 50 percent of the CS students heard it from their faculty, the percentage is more from CA students. Twenty percent of the students came know about the concept from their electronic media, 8 percent from newspapers, 6 percent from magazines, and 16 percent from text books same as CA students.

Table 6: Corporate Governance Legislation

Sr. No.	Particulars	CA		CS	
		Yes	No	Yes	No
1	Kumaramangalam Birla Committee	8	10	8	18
2	Naresh Chandra Committee	12	20	10	14

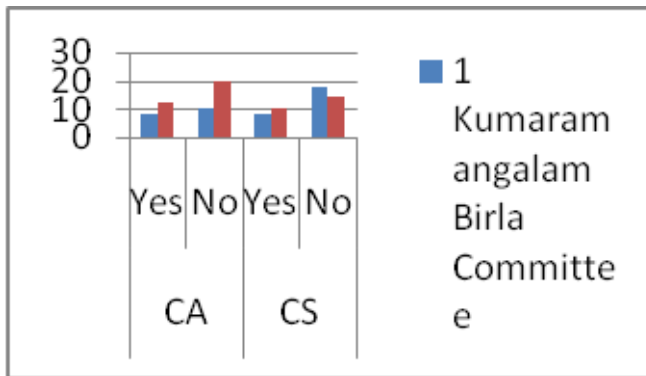


Chart 6

Interpretation: The above chart shows that majority of the CA students i.e. with 10 respondents and 20 respondents do not know about the Corporate Governance Legislation, only 20 respondents know about the legislation. CS students only 18 respondents know about both the committees remaining do not at all about these committees.

Table 7: More Effective Committee

Sr. No.	Particulars	CA	CS	% CA	%CS
1	K.M BIRLA Committee	25	19	50	38
2	Naresh Chandra Committee	17	10	34	20
3	Unknown	8	21	16	42

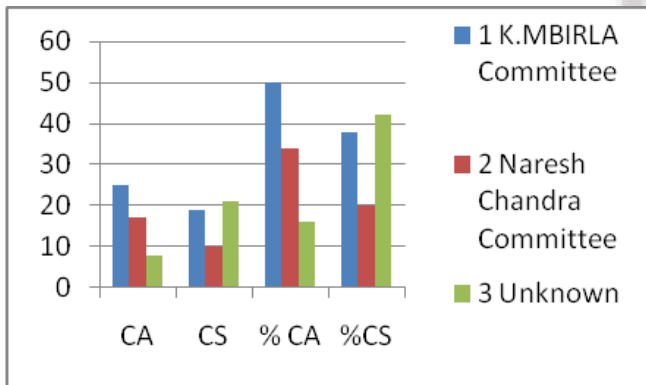


Chart 7

From the above chart, it shows 25 CA students & 19 CS students think that K.M Birla Committee is more effective committee & 17 CA students & 10 CS students think that Naresh Chandra Committee is more effective committee. While 8 CA students & 21 CS students are not aware of the committees.

Table 8: Corporate Governance System in Indian Companies

	Particulars	Chartered Accountant	Company Secretary
1	Yes	35	44
2	No	15	6

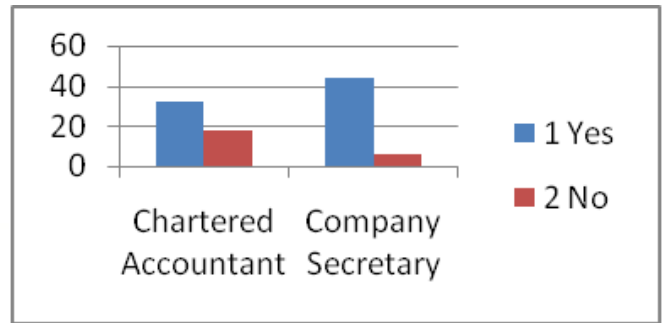


Chart 8

Interpretation: The above table indicates that out of 100 respondents, 35 CA students & 44 CS students think that every company follows Corporate Governance System in India, while 15 CA students & 6 CS students does not think that every company in India will not follow Corporate Governance System.

Table 9: Role of CA & CS in Corporate Governance Culture

Sr. No	Particulars	CA	CS
1	Yes	43	40
2	No	7	10

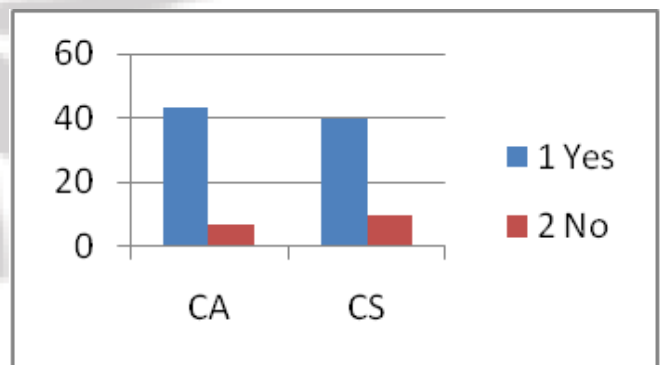


Chart 9

Interpretation: The above chart indicates that 43 CA students & 40 CS students think that CA & CS play vital role in promoting Corporate Governance Culture while 7 CA students & 10 CS think that CA & CS does not play any role in promoting Corporate Governance Culture in India.

Table 10: Role of Auditors

Sr. No	Particulars	CA	CS
1	Directly in Corporate Governance	30	32
2	Indirectly in Corporate Governance	20	18

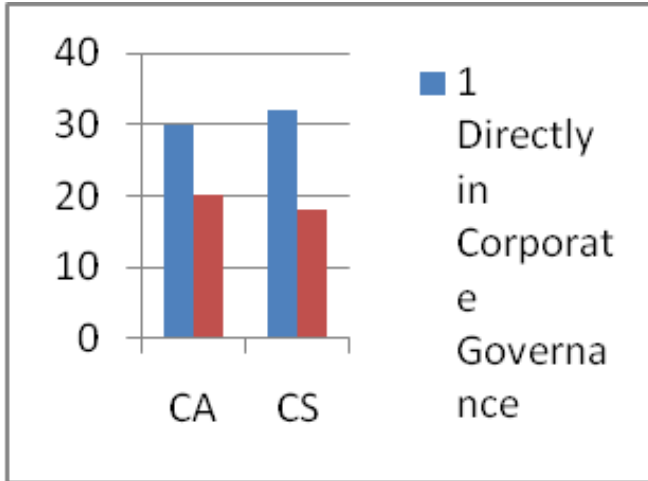


Chart 10

Interpretation: The above chart shows the role of Auditors in Corporate Governance, 30 CA students & 32 CS students opted for directly auditor fits in Corporate Governance where as 20 CA students & 18 CS students opted for indirectly auditors fits in Corporate Governance System.

Table 11: Corporate Governance in Development of Business Sector & Economy

Sr. No	Particulars	CA	CS
1	Yes	38	25
2	No	12	25

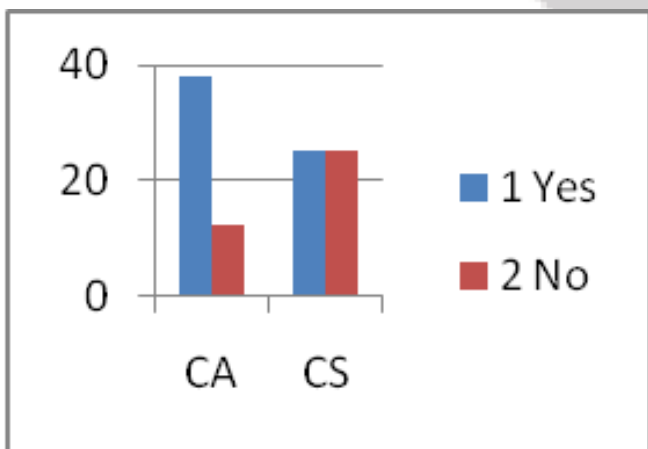


Chart 11

Interpretation: The above chart indicates that 38 CA students & 25 CS students said that Corporate Governance helps in development of Business Sector & Economy while the rest 12 CA students & 25 CS students said that Corporate Governance is not helpful for development of Business Sector & Economy in India.

Table 12: Corporate Governance Provides Competitive Edge in International Markets

Sr. No	Particulars	CA	CS
1	Yes	40	19
2	No	10	31

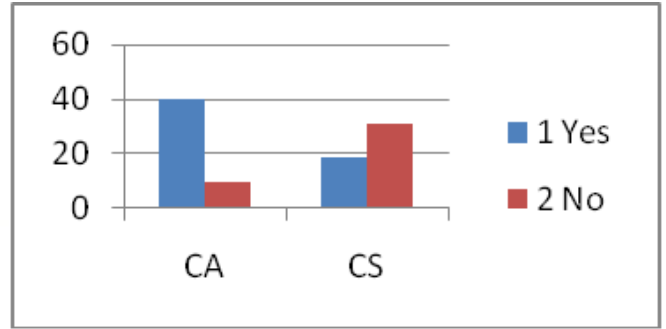


Chart 12

Interpretation: The above chart shows that 40 CA & 19 CS students say that the Corporate Governance provides competitive edge in international markets and rest 10 CA & 31 CS students say that the Corporate Governance does not provide competitive edge in international markets.

Table 13: Corporate Governance in Business Sector Helps in Ending Corruption

Sr. No	Particulars	CA	CS
1	Yes	31	33
2	No	19	17

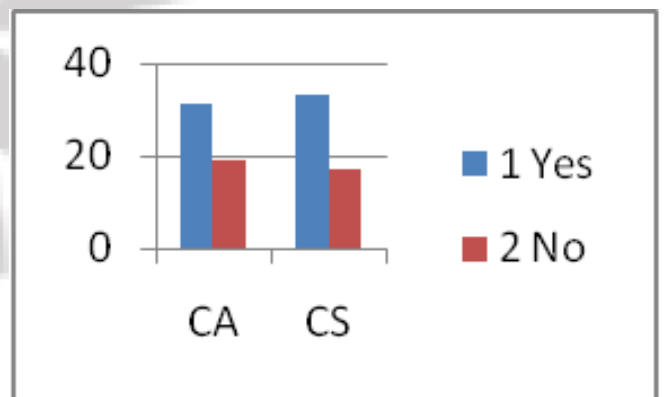


Chart 13

Interpretation: From the survey, 31 CA & 33 CS students said that Corporate Governance in Business Sector helps in ending Corruption, while rest 19 CA & 17 CS students said that Corporate Governance in Business Sector does not help in ending Corruption.

Table 14: Corporate Governance Encourage Transparency in Business Operations

Sr. No	Particulars	CA	CS
1	Yes	31	25
2	No	19	25

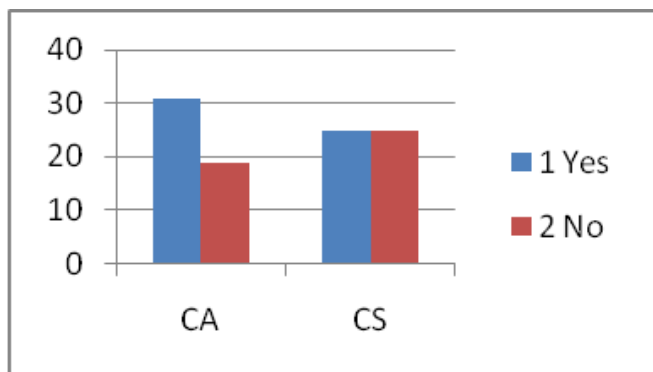


Chart 14

Interpretation: The above chart shows that 31 CA & 25 CS students say that the Corporate Governance encourages transparency in Business Operations and rest 19 CA & 25 CS students say that the Corporate Governance do not encourages transparency in Business Operations.

6. Conclusions

Corporate Governance executives i.e. CA and CS students have to protect the interests of the company, shareholders, stakeholders and public. They are the future role models, first of all they must be in a position to understand what corporate governance is, for this faculty, electronic media as well as print media have to play vital role. From the grass root level, they must understand it well, so that we can avoid the scams those are taking place in India not fully at least some parts of it.

7. Scope for Further Research

The present article focused on CA & CS professionals, survey conducted to what extent they are aware of the concept Corporate Governance. In the same manner some more surveys may be conducted on other relevant and important concepts like Corporate Social Responsibility, BESEL Norms, Portfolio management concepts, Auditing, Management, Costing and present Accounting Standards etc., because CA & CS executives are the people who can protect our Governance System to some extent. Further, the survey may extend to ICWA graduates also.

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