The Role of Corporate Governance in Developing Countries: An Overview

Dr. Jogendra Kumar

Assistant Professor, International Maritime Institute, Greater Noida (U.P), India

Abstract: ***Corporate governance refers to the system by which corporation are directed and controlled the governance structure specifies the distribution of rights and responsibilities among different participants in corporations such as board of directors, managers, shareholders, auditors & other stakeholders. It is a system of law & sound approaches by which corporations are directed & controlled focusing on internal & external corporate structures with the intention of watching the actions of directors & management. Internal corporate governance controls monitoring by the board of directors, internal control procedures & internal auditors, balance of power, monitoring by banks & other large creditors etc. while external corporate governance controls competitions, debt covenants, government regulations, managerial labour market, media pressure etc. Around the globe, societies have been experiencing tremendous social, political and economic change during the last quarter century. Analysts of these processes of transformation invariably draw upon the notion of globalization. It is not only the extent of globalization and its effects are disputed, however even more controversial is the evaluation of globalization and various changes it has induced, as the existence of a global 'anti globalization movement' makes clear.***

Keywords: interventionist, liberalism, deregulation, prominence, normative, accountability, prosperity

1. Corporate Governance Reforms in Developing countries

Today, corporate governance are taking place in countries potentially impacting the population of the world. Over the last two decades, issues of corporate governance have gained increased prominence in countries. In this developing world, part of this increased attention to governance issues have been provoked by questionable business practices and scandals. Changes in the systems of corporate governance in the developing world are taking place in the wake of processes of structural change in the international economy and less than fully successful interventionist development projects. The major justification offered for economic liberalism and deregulation is that it will have a greater development impact than previous interventionist programmes.

2. Corporate Governance Reforms in India

In India and many developing countries of the world, there are two issues, first through the economic policies of colonial powers and secondly through the interventionist development policies established by the government. The relationship between corporate governance and development is not clear to most of the people. Corporate governance can be undertaken for different purposes and there are three distinct analytical approaches, viz positive, normative and strategic. Each of which makes different claims, different academic disciplines. Positive analysis makes claims of truth. Normative analysis makes claims of goodness and correctness. Ethics and political philosophy problematize normative analysis. strategic analysis makes claims of effectiveness. Business and related professional disciplines along with public policy problematize strategic analysis. This analysis is important because it can help us to separate different issues involving the relationship between corporate governance and development. Social academic disciplines problematize different forms of analysis.

3. The Role of Governance in Promoting Development

With the recent processes of economic reforms that have been occurring in India and other developing countries, corporations have come to perceived increasingly as the primary agent of development. For their part, many corporations are using the language of development.

Normative analysis of corporate governance broke down into two categories, firstly, analysis of corporate governance responsibilities within the context of given system of corporate governance. Secondly, there is comparative evaluation of different models of corporate governance.

4. Formal Role of Corporate Governance

The role and responsibilities of Directors

Firstly, with respect to task of strategy formation, shareholders are guided by a single goal viz maximizing shareholders wealth.

Secondly, shareholders models do not take normative concerns into account in developing policy. Stakeholder models, by contrast, subject policy choices and design to certain constraints which may be based upon norms by the organization.

Thirdly, for shareholders models, accountability is directed exclusively to shareholders. Possible stakeholder groups include consumers, employees, contractors, local communities, citizens etc.

Lastly, the task of monitoring in the shareholders model is exclusively focused upon addressing the principal agent problem, ensuring that management runs the corporation in the interest of shareholders. Again those adopting a shareholder approach in practice may undertake activities to ensure stakeholder interests are addressed, but their motivation in doing so is purely programmatic in nature.

5. Corporate total responsibility at Tata Group

The largest business industry in India is Tata group. Its founder Jamshedji Tata has earned a reputation as being among the leaders in social responsibility not only in India but throughout the world.

Tata group responded to the process of economic reforms in early 1990s by trying to develop more systematic approach to corporate social responsibility. During the 1990s, TATA Group restructured its business to make more competitive both in terms of domestic and international. Tata group involved radical changes across the full range of functional areas like economic, administrative etc. They developed long term programmes with stake holders groups, coordinated process of managing multiple stake holders' interest such as those of government, NGO and local communities. Corporate sector play a specific role for the betterment of society. Tata group improved quality of life. They are always well known for its leadership. Tata group adopted the concept of triple bottom line to reinforce the larger social purpose to our business. As quality of life they created thrust areas like vocational training, primary education specially computer education and its applications, health and family welfare, drinking water supply etc, for development of community.

6. Conclusion

The concept of corporate governance hinges on total transparency, integrity and accountability of the management & Board of Directors. The importance lies in its contribution both in the form of business prosperity and accountability.

Today is the age of Globalization, good corporate governance help us a great tool for corporate bodies at global competition. It existed from vedic times as highest standard in economics to today's set of ethics, principles, rules, regulations, moral, values etc. as good corporate governance.

So at the end, corporate excellence should be the end. Once if the good corporate governance is achieved, Indian corporate body will shine with flying colours in the whole world.

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