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Corporate Governance, Concepts and Practices: A Survey

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Abstract:
The purpose of this study is to analyse the perceptual responses of professionals (company secretaries) with special reference to the study of corporate governance. Parameters included in the study pertain to the concept & practices of corporate governance and problems encountered in the course of implementing corporate governance norms. For the purpose of the study, the concept of corporate governance includes meaning, objectives, mechanisms and substance of corporate governance. Moreover, the study also elicits the responses of professionals with regard to board structure and practices to explain the corporate governance practices. Moreover, measures to enhance the effectiveness of stock exchanges to implement the corporate governance norms and the relationship between stock market reforms & corporate governance have also been included in the study. The study is based on the responses of 46 company secretaries. Data were collected through structured questionnaire. The results of the study show that there is overall agreeability among respondents regarding the role of stock exchanges to bring about an improvement in governance practices with special reference to the board structure & practices. It has also been observed that the appointments of directors should not be left solely at the discretion of the company rather; regulatory authorities should get involved in the appointment of directors. The most important problem observed during the survey is of the objectives, that the companies are formed to sub-serve the interests of the families/promoters rather than promoting the interests of the common investors.

Key words: *Corporate Governance, Professionals, Mechanisms of Corporate Governance, substance of corporate governance*

1. Introduction

Corporate governance provides the mechanism to ensure the protection of interests of shareholders in particular and other stakeholders in general. Among other things, the extent of governance of any company can be measured on the basis of how it can achieve the interests of those who have stake in the company. Although, the ultimate authority is of Securities and Exchange Board of India for developing the regulatory framework in the perspective of capital market, however, responsibility to implement lies with the stock exchanges. Stock exchanges regulate the companies through listing agreement. Moreover, the compliance officers of the companies (technically called as qualified company secretaries) are responsible to ensure the implementation of corporate governance norms in the companies.

Whereas policy makers have developed the concept of corporate governance through the vehicle of listing agreement, however, it is important to analyse the views of those who are implementing corporate governance norms. Therefore, in this study, an attempt has been made to explain and analyse the perceptual responses of professionals about the conceptual aspects of corporate governance and corporate governance practices.

Good governance among Corporates must manifest through good corporate practices vis-à-vis stakeholders. Therefore, companies must appreciate the fact that investors[i] have handed over their hard-earned money with them. Per se, it is important that the companies conduct themselves in investor-friendly manner. Hence, it is the responsibility of the regulatory authority to ensure that the companies work in the best interests of shareholders in particular and other stakeholders in general. Thus, perceptual responses of respondents are also obtained with regard to the stock exchanges vis-à-vis corporate governance.

The purpose of this study is to analyse the responses of the professionals with special reference to the concepts and practices of corporate governance. The study tries to bridge the research gap by providing a direct empirical test of the hypotheses. The researcher hypothesizes that the corporate governance norms do not exert any influence in bringing about an improvement in the board structure and practices.

1.1. Parameters Included in the Study
To achieve the above stated purposes, the following parameters have been included

- Conceptual aspect of corporate governance
  Meaning of corporate governance
  Objectives of corporate governance
  Mechanisms of corporate governance
  Substance of corporate governance
- Stock Exchanges and Corporate Governance Practices
  Board structure and practices
  Enhancing the effectiveness of Stock Exchanges in Corporate Governance
  Stock Market Reforms and Corporate governance
- Problems encountered in the course of implementing corporate governance reforms

1.2. Research Methodology
The study is primarily based on the perceptual responses of professionals with regard to corporate governance, concepts and practices. For this purpose, data were collected through a structured questionnaire[ii]. Moreover, for collecting primary data, the structured questionnaire was primarily managed through post and web hosting. However, due to insufficient reply, the decision was taken to conduct field interviews. Moreover, during the field survey, it was observed that administering the questionnaires personally eliminated the possibility of getting invalid and incomplete responses[iii].

1.2.1. Sample Design
In the course of data collection through structured questionnaire, it was decided to cover nearly 75 company secretaries. However, due to insufficient information and non responses, analysis based on 46 company secretaries was incorporated. For the purpose of field survey, the appointments were sought through e-mail, which was followed up through telephone later on. Names of company secretaries were procured from the Institute of Company Secretaries of India. Interviews were conducted either at the office of company secretaries or questionnaire has been sent to them through post or e-mail.

1.2.2. Pilot Testing
Based on identification of important issues, a draft questionnaire was designed and pilot study was conducted with a sample size of 13 company secretaries. Moreover, during pilot testing, the questionnaires were also sent to few academicians and experts on the issues of corporate governance in general and problems encountered in the course of implementing corporate governance norms in particular. Based on the pilot study and suggestions received, the questionnaire was suitably modified before the field survey.

1.2.3. Statistical Tools Used For Analysis
For the purpose of the study, the questionnaire was designed on a three point scale and the mean score was calculated to analyse the responses. Moreover, the rank was calculated on the basis of mean score. For the purpose of testing the hypothesis framed in the study, data was finally merged into two categories, namely lower agreeability and higher agreeability.

1.3. Limitations of the Study
The present study is subject to certain limitations, which are as under:

- Analysis is based on the responses of 46 professionals
- Professionals include only company secretaries, however, the responses of other professionals like Chartered Accountants and Directors of the company have not been considered.
  In spite of the above limitations, the study fairly justifies its objectives.

1.4. Organisation of the Study
The study has been divided into four sections. The present section introduces the basic contours of the study. Objectives of the study, parameters included, research methodology and limitations have been covered under this section. Findings of the study have been presented in section two. Section three summarizes and mentions the conclusions arrived at. Finally, the fourth section provides the scope for further research.

2. Findings of the Study

2.1. Conceptual Aspects of Corporate Governance
For the purpose of the study, the conceptual aspects of corporate governance include meaning, objectives, mechanisms and substance of corporate governance. In this section, an attempt has been made to elicit the perceptual responses of professionals with regard to the conceptual aspects of corporate governance.

2.1.1. Meaning of Corporate Governance
From the varied definitions of corporate governance, it can be concluded that corporate governance implies a mechanism to ensure the protection and promotion of the interests of shareholders in particular and other stakeholders in general.

Although, various experts have emphasized different dimensions of corporate governance, however, it is imperative to empirically measure the concept of corporate governance.
There is no consensus regarding the meaning of corporate governance. In principle, corporate governance is much more than compliance of laws of the land. Corporate governance practices should not only be followed in the papers, but rather in spirit also. The researcher has developed certain statements and asked respondents about their views regarding the meaning of corporate governance. The following table shows the responses of professionals about meaning of corporate governance.

Aspects Defining CG	Weighted Index	Mean Score	Rank
Efficient and ethical running of companies	118	2.56	3
Separation of governance from management	76	1.65	5
Holding board accountable	115	2.5	4
Moral development of a corporation	174	3.78	1
Disclosure and transparency	138	3.0	2

Table 1: Corporate Governance: Perceptual Responses About Meaning

Empirical testing shows that whereas professionals are of the view that the concept of corporate governance is more significantly reflected in the 'moral development of corporation', they are somewhat less agreeable to the 'ensuring disclosure and transparency'. Moreover, in their views, about the concept of corporate governance, efficient and ethical running of the companies and holding board accountable for the conduct of the business and protecting the interests of different stakeholders are also important but at the lower side. Moreover, separating governance from management is considered as the least considered facet defining the concept of corporate governance. From the above data, one may safely conclude that moral development of a corporation is of paramount importance, once that is achieved all good things shall automatically follow.

2.1.2. Objectives of Corporate Governance

It may be recalled that the primary objective of corporate governance is to enhance shareholders' value and protect the interests of other stakeholders by improving the corporate performance and accountability. Thus, it complements the need for a company to strike a balance between the enhancements of shareholders' wealth and do the activities which are not detrimental to the interests of the other stakeholders. Moreover, its objective is to generate an environment of trust and confidence amongst those having competing and conflicting interests. In this section, an attempt has been made to empirically measure the views of professionals regarding objectives of corporate governance and the findings of the survey are presented as under.

Objective of CG	Weighted Index	Mean Score	Rank
Compliance with laws of the land	121	2.63	3
Investors' protection	132	2.87	1.5
Ensuring the performance of the company well above the industry average	87	1.89	6
Evaluating the performance of the top management team	116	2.52	5
Social responsiveness	117	2.54	4
Prohibition of child labour	132	2.87	1.5

Table 2: Corporate Governance: Objectives

An empirical result shows that protection of interests of common investors and prohibition of child labour is of paramount importance in the views of professionals. Whereas 'protection of investors interests' and 'prohibition of child labour' are most considered objectives of corporate governance, however, their views are in less agreement with 'compliance with laws of the land' and 'ability of the companies to meet social responsibilities' in that order. Moreover, 'evaluating the performance of top management team' and 'ensuring the performance of the company well above the industry average' are least considered objectives of corporate governance in the views of professionals. Thus, it can be concluded that the most important objective considered by professionals is in agreement with what experts have suggested in the process of corporate governance reforms. They are of the view that, if the interests of those who are handing over their hard earned money with the company is protected, then need of evaluating the performance of top management team will not arise. In other words, as long as board is working in the interests of primarily the shareholders and secondly the other stakeholders, it will not attract the attention of regulatory authorities.

2.1.3. Mechanisms of Corporate Governance

In the corporate form of organisation, ownership is separate from management which creates the agency problem. To ensure the interests of investors, it is imperative to have internal mechanisms and control to reduce the inefficiencies arises from moral hazard and adverse selection. Moreover, external corporate governance controls encompass the controls that the external stakeholders exercise over the organisation. In this section, an attempt has been made to empirically measure the views of professionals regarding internal and external mechanisms of corporate governance. Internal mechanism includes ‘monitoring management by the board of directors’, ‘internal control procedures & internal auditors’, ‘balance of power’ and ‘remuneration’. Findings of the survey with reference to the internal mechanisms are shown in the following table.

Mechanisms of CG	Weighted Index	Mean Score	Ranks
BoD as the mechanism for ensuring CG	138	3	1.5
Audit committee	138	3	1.5
Compensation committee	96	2.52	5
Nominations committee	99	2.54	4
Investors’ grievance committee	123	2.67	3
Investment committee	91	2.22	7
Share transfer committee	93	2.02	8
Whistle blowing policy and corporate ombudsman	108	2.45	6

Table 3: Internal Mechanisms of Corporate Governance

In the views of professionals, ‘board of directors’ and ‘audit committee’ are equally considered as foremost internal mechanisms of corporate governance. They are of the view that if board of directors and audit committee consisting of majority of independent directors are performing their duties in the best interests of shareholders, then the spirit of corporate governance would automatically be achieved. Moreover, they also considered the importance of ‘investors grievances committee’, ‘nomination committee’, ‘investment committee’, ‘whistle blowing policy & corporate ombudsman’ and ‘share transfer committee’ in that order. It may be concluded that views of professionals are in agreement with the recommendations of Cadbury Committee, which emphasised on control and reporting function of the board and on the role of auditors. However, one of the respondents has experienced that in practice appointment of auditors in the companies is solely at the discretion of management of the company. It may be possible that rather than giving the independent opinion about the true and fair view of the state of affairs of the concern, their loyalty is towards the management of the company. Another respondent has experienced that the independent directors being appointed by the existing board of directors, including promoters of the company, result in selecting such persons, who are covered under the definition of independent directors. However, they are loyal or obligated to the promoters in some or the other ways. As a result, they are not in a position to raise their vice in the Board. The researcher has also observed in the process of interview with professionals that in most of the small and medium size companies (especially, the family managed businesses), the appointment of directors and their contribution to the board towards corporate governance is a paper exercise and does not serve an effective purpose. Therefore, it may be recommended that the authority for appointment/nomination of independent directors should be given to the SEBI or BSE/NSE. Moreover, panel of the independent directors should be prepared by these authorities after taking into consideration the expertise, qualifications, etc. as Cadre A, B, C, D. The companies should also be categorized as Cadre A, B, C, D looking into the turnover, market capitalisation, trading volume, etc. Furthermore, they should be nominated / appointed by the SEBI/BSE/NSE for a period not exceeding 3 years at a time. It is also recommended that they should submit their report to the appointing authority on periodic basis to monitor their performance and review of these companies.

External control mechanism comprises ‘competition’, debt covenants’, demand for and assessment of financial information’, ‘government regulations’, ‘takeover’ and ‘pressure groups’, such as environmentalist’s lobby, consumer forums etc. Findings of the survey with reference to the external mechanisms of corporate governance have been presented as hereunder:

Mechanisms of CG	Weighted Index	Mean Score	Ranks
Shareholders' participation and their influence in the meetings of the company	111	2.41	2
The nominees of the financial institutions/public bodies	109	2.37	3
The stock exchanges and Securities and Exchange Board of India	124	2.70	1
Accounting bodies	101	2.19	4
Pressure groups, such as environmentalist's lobby, consumer forums etc.	98	2.13	5

Table 4: Corporate Governance: External Mechanisms

Table 4 shows that professionals considered stock exchanges and securities and exchange board of India as the most important external control mechanism to ensure corporate governance in the country. Their agreeability to the participation of shareholders in the meetings of the company is comparatively lesser important to ensure corporate governance. Moreover, appointing nominees of financial institutions, influence of accounting bodies and pressure groups are considered as the least important mechanisms for ensuring corporate governance in that order. However, it has been observed in the review of literature in the study conducted by Ingley. C. B., et. al.(2004) that although institutional investors are in a position to exercise closer oversight and control of management and corporate decision making, however, most of the time, they are concerned with maximizing short term benefits rather than long term interests of shareholders. Therefore, the consideration of stock exchanges is the natural choice to provide governance friendly environment.

2.1.4. Substance of Corporate Governance

Every attempt on the part of different committees appointed in India as well as elsewhere in the world resulted into change in the form of corporate governance. However, the question arises whether these attempts on the part of regulatory authorities is providing the substance of the corporate governance for achieving the objective for which it was initiated or drawn the attention of regulatory and academic interests[iv]. In this section, an attempt has been made to observe the views of professionals so as to see what the substance of corporate governance is. Findings of the survey have been presented as follows.

Mechanisms of CG	Weighted Index	Mean Score	Ranks
Disclosure of only financial information	81	1.76	3
Disclosure information which the management thinks necessary to provide	95	2.07	2
To avoid capital market crisis, it is always advisable not to disclose risk factors	64	1.39	5
Disclosure should be limited to avoid competition	75	1.63	4
Maximum disclosure to avoid facing Right to Information Act	126	2.74	1

Table 5: Corporate Governance: Substance

In accordance with Table 5, it may be observed that whereas professionals are of the view that there should be maximum disclosure at the instance of the company to avoid facing Right to Information Act, their agreeability is lesser in case of 'disclosure of information', which is necessary in the views of management. Their agreeability to 'disclosure of only financial information', 'limited disclosure to avoid competition', 'disclosure of risk factors' are considered as least. One may conclude that the disclosure and transparency is considered as the substance of corporate governance.

2.2. Stock Exchanges and Corporate Governance Practices

As pointed out at the outset, stock exchanges can potentially exert a lot of influence over the corporate practices in regard to corporate governance. The researcher has tried to elicit the views of the professionals as to the effectiveness of and the challenges involved in putting in place sound governance regime in the corporations. The findings of the survey of the professionals in respect of the select issues relating to the role of stock exchanges in stimulating good governance has been presented hereunder.

2.2.1. Board Structure and Practices

It has been empirically tested and concluded from the findings of the previous section that board of directors occupies a vital position in the internal mechanism of corporate governance. Moreover, different committees have recommended about the composition, structure and role which the directors are expected to perform for ensuring good corporate practices. Thus, it was deemed necessary to find out from the professionals whether there has been any perceptible improvement in board structure and practices. See Table 6.

Variable	Lower Agreeability		Higher Agreeability	
	No. of Respondents	%age of Respondents	No. of Respondents	%age of Respondents
Extent of induction of independent persons on the board	08	17.40	38	82.60
Stipulation of qualifications for appointment on the board	13	28.26	33	71.73
Encouraging diversity of expertise and experience	14	32.56	29	67.44
Stipulating the number of directorships a person can hold at a time	17	36.96	29	63.04
Stipulating the frequency and length of duration of the board meetings and the meetings of the various committees of the board	23	50.00	23	50.00
Personal integrity as a factor in appointment on the board	14	30.43	32	69.57
Validity of board meeting in the teleconferencing mode	29	66.00	15	34.00
Overseeing the performance of the management team	16	34.78	30	65.22
Formulating vision, setting direction and formulating corporate policies in all the key areas	03	6.52	43	93.48
Introducing strategic change	5	10.87	41	89.13
Providing ethical leadership	8	17.39	38	82.61
Balancing the interests of the diverse stakeholders	06	13.04	40	86.96
Aggregate view based on average		**28**		**72**

Table 6: Board Structure & Practices

The mapping of the professionals' perception on role of stock exchanges as in Table 6 shows that more than 70 percent of the respondents are of the view that stock exchanges have generally been effective in bringing about a positive change in board structure and practices. That the vector of their agreeability should move from compliance to performance of the board augurs very well for the corporate governance scenario in India. It is evident from the fact that nearly 87 percent of the professionals view board's role in balancing the interests of diverse stakeholders. It is evident also from the fact that nearly 95 percent of them are of the view that the boards are increasingly getting involved with the formulation of corporate vision, setting direction and policy formulation. Such findings must be viewed as indicative of the success not only of the regulatory/ legislative intent but also of the market-based interventions in corporate affairs.

Whereas their agreeability is more prominent with regard to role, board of directors is, expected to perform; their agreeability is somewhat less on the structure of directors recommended by different committees for ensuring corporate governance in India. Clearly effectiveness of the board lies not as much in the structure as it does in the perception of the role it is expected to play.

The professionals have responded quite favourably as regards the influence of stock exchanges in encouraging induction of independent directors on the board, the profile of their qualifications, expertise and value system and personal integrity as well as the seriousness with which the business is transacted at the board meetings.

The findings documented in Table 6 may be seen as an affirmation of the empirical rejection of the null hypothesis that "*the stock exchanges do not exert any influence in bringing about an improvement in governance practices with special reference to the board structure and practices*".

2.2.2. Enhancing the Effectiveness of Stock Exchanges in Corporate Governance

For ensuring corporate governance practices, it is crucial that the effectiveness of stock exchanges should be enhanced. Among other things, effectiveness of stock exchanges depend upon its market based interventions and structural measures. Market based interventions include 'controlling the malpractices of the members of stock exchanges', 'coordination among market players', 'controlling share price volatility' and 'encouraging formation of investors' forum and their participation in the meetings of the companies' for ensuring governance practices. Structural measures include 'checks & balances on the functioning of stock exchanges' and 'appointing independent nominees of state and SEBI'. In this section, an effort has been made to include the views of professionals to see whether there is any enhancement in the effectiveness of stock exchanges in ensuring corporate governance practices. The findings of the survey in relation thereto have been provided in Table 7 and Table 8.

Variables	Weighted Index	Mean Score	Ranks
Indian Stock exchanges are too volatile to arouse investors' faith and ensure investor's protection	113	2.46	3
Stock exchange authorities are not able to curb the malpractices of its members	103	2.40	4
Better coordination among the stock exchange, depositories and the companies can enhance investors' faith in the stock markets	130	2.83	1
Stock exchanges should encourage formation of investors' forum and their participation in the annual meetings	118	2.56	2

Table 7: Professionals' Response:
Effectiveness of Market Based Interventions in Corporate Governance

According to Table 7, whereas professionals are of the view that coordination among the stock exchanges, depositaries and companies is required and can enhance the investors' faith[v] in the stock market, however, their agreeability to the regulatory role of stock exchanges is not satisfactory. Moreover, they are of the view that abnormal volatility[vi] is required to be controlled to gain the confidence of investors and the stock exchanges should encourage formation of investors' forum and their participation in the annual general meetings of the company.

Variables	Weighted Index	Mean Score	Ranks
Appointment of Compliance Officer in the company is effective to ensure corporate governance practices	121	2.63	1
The representative of the particular state/registrar (with which the company is registered) in the board of stock exchanges is effective to ensure better governance practices	90	1.95	3
Compensations for persons coming from statutory bodies in the stock exchanges should be increased	101	2.20	2

Table 8: Professionals' Response
Measures for Greater Effectiveness of Stock Exchanges

Table 8 shows that whereas professionals highly agreeable to the fact the appointment of compliance officer in the company is effective to ensure corporate governance practices, however, their agreeability is least regarding the representation by the nominee of registrar in the stock exchange. Moreover, they are of the view that compensations[vii] for persons coming from statutory bodies should be increased so that they can ensure their better contribution for governance of the companies.

2.2.3. Stock Market Reforms and Corporate Governance

It may be the misconception that reforms are always undertaken with a view to punish the existing system. It may be considered that reforms are in consonance with the fact that there is always scope for improvement. In the stock market some of the technological advancements and regulatory reforms have taken place. The researcher has taken some of the issues concerned with the reforms undertaken in the stock market for protecting the interests of shareholders. In this section, an attempt has been made to include the views of professionals regarding the issues mentioned in Table 9.

Stock Market Reforms	Weighted Index	Mean Score	Ranks
Demutualization and Corporatisation of stock exchanges	125	2.72	5
Consolidation of stock market into BSE and NSE	105	2.28	6
Dematerialisation of shares	133	2.89	2
On-line fully automated screen based trading system	135	2.93	1
Withdrawal of representative of the regulatory authority from stock exchanges	90	2.14	7
Appointment of Compliance Officer in stock exchange is effective to ensure corporate governance practices	127	2.76	3.5
Fixation of balanced authority, responsibility and accountability of the board of stock exchanges is essential for ensuring better governance practices	127	2.76	3.5

Table 9: Perceptual Responses: Stock Market Reforms & Corporate Governance

Table 9 shows that professionals are of the view that on-line screen based system followed by dematerialisation of shares is the great attempt on the part of regulatory authority for protecting the interests of the common investors. It would be pertinent to keep in mind that the stock exchanges traditionally have been societies and the governance of the stock exchanges has been largely paternalistic whereby the conduct of the parties to transaction was regulated through social norms, customs and tradition. Professionals are of the view that with the increase in the size of the corporations and professionalisation of management, growing market capitalization, and internationalization of capital markets, changes in the structure and role of stock exchanges became a matter of historical necessity. Thus, the Demutualization & Corporatisation of stock exchanges is the attempt for separating the ownership from management for better governing the internal functioning of stock exchanges with a view to provide the regulated, secured and safe market for the market players.
Whereas professionals are not satisfied with the withdrawal of representatives of the regulatory authority from the stock exchanges, however, they have responded quite favorably regarding appointment of a compliance officer in the stock exchanges and fixation of authority, responsibility and accountability of the board of stock exchanges and are considered as essential for ensuring corporate governance practices.

2.3. Problems Encountered in the Course of Implementing the Corporate Governance Reforms
Corporates may encounter problems in the course of implementing corporate governance reforms. In this section, an effort has been made to ask professionals whether they are facing any problems in the course of implementing corporate governance reforms. By considering 'availability of directors with requisite knowledge of related industry', 'professionals of high caliber & integrity', 'limits imposed on the number of directorships a person hold at a time', 'professionals by independent & critical thinking' and 'professionals of high integrity' the researcher has attempted to map the respondents' perception of the problems faced in the course of implementing corporate governance reforms.

Problems Encountered in Corporate Governance	Weighted Index	Mean Score	Ranks
Non-availability of directors with requisite experience and knowledge of related industry	49	1.32	9
Non-availability of post graduates	77	1.67	5
Non-availability of technocrats	57	1.24	7.5
Non-availability of industry specialists	67	1.46	6
Non-availability of professionals of high caliber	57	1.24	7.5
Limits on the number of directorship	84	1.95	4
Basic problem is with the objective, companies are formed to sub-serve the interests of the families/promoters rather than promoting the interests of the common investors	126	2.74	1
Independent and critically thinking professionals are extremely hard to find	125	2.72	2
Crisis of integrity seems so profound that there is little hope of restoring the credibility of the CG	101	2.30	3

Table 10: Problems Encountered in the Course of Ensuring Corporate Governance

Table 10 shows that professionals are of the view that the basic problem is with the objective, companies are formed to sub-serve the interests of the families/promoters rather than promoting the interests of the common investors. They are also of the view that the professionals of independent and critical thinking are hard to find. Moreover, limits on the number of directorship are also the problems which the professionals are facing followed by non-availability of post graduates industry specialists in that order. However, non-availability of technocrats and non-availability of directors with requisite knowledge & experience of related industry and non-availability of directors with requisite experience and knowledge of related industry are considered as the least considered problems at the instance of the professionals.

3. Conclusion and Recommendations

In this study, an effort has been made to elicit the responses of professionals with regard to the conceptual aspects of corporate governance and to see whether there has been any improvement in the effectiveness of stock exchanges for bringing about corporate governance practices. From the survey conducted, it may be concluded that the ‘moral development of corporation’ and ‘disclosure & transparency’ are considered as most important aspects defining corporate governance. The most important objectives of corporate governance, considered by the professionals are investors’ protection and prohibition of child labour.

Whereas audit committee and board of directors are considered as the significant internal mechanisms to ensure corporate governance, however, stock exchanges and securities and exchange board of India are considered as external mechanisms. Moreover, the professionals are of the view that the substance of corporate governance is the maximum disclosure.

Board of directors occupies a vital position in the mechanism of corporate governance. Different committees have recommended about the composition, structure and role which the directors are expected to perform for ensuring good corporate practices. Thus, it was deemed necessary to find out from the professionals whether there has been any perceptible improvement in the role of stock exchanges with regard to board structure and practices. The researcher’s findings in this regard show that there is overall agreeability among respondents regarding board structure and practices. Whereas their agreeability is more prominent with regard to role, board of directors are expected to perform, their agreeability is somewhat less on the board structure recommended by different committees for ensuring corporate governance in India. However, the hypothesis designed in the study in relation to board structure and practices is categorically rejected.

With the interviews of professionals, it has been observed that the appointment of directors should not be left solely on the discretion of the company. Moreover, the regulatory authorities should get involved in the appointment of directors. Professionals are also of the view that the basic problem in the implementation of corporate governance norms is with the objectives, companies are formed to sub-serve the interests of families/promoters.

4. Scope for Further Research

- The study may be extended further to incorporate the responses of directors and other professionals associated with corporate form of organisations.
- Relationship between corporate performance and corporate governance may be considered
- Issues of corporate social responsibility can also be considered.

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[i] In the present study, investors refer to the households investing in equity share market.

[ii] Structured questionnaire refers to set of questions which are precisely decided in advance. When used as an interviewing method, the questions are asked exactly as they are written, in the same sequence, using the same style, for all interviews.

[iii] If self-completion forms are used, it is almost unavoidable that some people do not respond. In that case the researcher can never be certain that the non-respondents are representative of the whole group. Therefore, there is always the chance that the non-respondents are so opposed to the subject being surveyed that they refuse to participate. On the other hand, if the questionnaire is being managed personally, then the researcher can carry on unless a representative sample has been obtained.

[iv] Moreover, sometimes having varying objectives to be perused results in the diversion from the actual objective for which the concept was introduced.

[v] Among other things, if investors are confident about the safety, security and promptness in settlement of account, then they are ready to repose their savings with companies. For the development of the nation, it is necessary to have the developed capital market.

[vi] In the present context, abnormal volatility is concerned with the high fluctuations in the price of the securities.

[vii] Those who are coming from the statutory bodies in the board of stock exchanges; they are just getting conveyance allowance.