

Sansad TV Perspective: Corporate Governance

In the series Sansad TV Perspective, we bring you an analysis of the discussion featured on the insightful programme 'Perspective' on Sansad TV, on various important topics affecting India and also the world. This analysis will help you immensely for the [IAS exam](#), especially the mains exam, where a well-rounded understanding of topics is a prerequisite for writing answers that fetch good marks.

In this article, we feature the discussion on the topic of Corporate Governance

Video link: <https://youtu.be/EF-W1bSrEN8>

Anchor: Vishal Dahiya

Participants:

1. Sethurathnam Ravi, Former Chairman, Bombay Stock Exchange
2. Jitendra Nath Gupta, Former Executive Director, SEBI
3. R. Gopalan, Former Secretary, Financial Services, Ministry of Finance, Gol

Context: The Central Bureau of Investigation has arrested the former Group Operating Officer of the National Stock Exchange on the allegations of favours given to certain traders through preferential access to the server architecture of NSE misusing the colocation facility. This raises a serious concern with respect to the functioning of corporate governance.

What is Corporate Governance?

- Corporate governance can be defined as the systematic framework that administers and regulates the companies.
- It stands by the purpose of facilitating management of the company in an efficient, entrepreneurial and organised manner contributing to its success.
- Under this system, the Board of Directors are responsible for the governance of their companies.
- The directors and auditors are appointed by the shareholders.
- The entire gamut of corporate governance involves the activities of the board of a company and the manner in which it sets value for the company.
- As a result of globalisation, many companies have been compelled to explore the international financial markets to face extensive competition. Gradually, both policy makers and business managers have become increasingly aware of the importance of improved standards of corporate governance.

Read the details of [Corporate Governance](#) in the linked article



Image Source: Financialexpress.com

Challenges in Corporate Governance Practices in India:

- Despite the fact that India has one of the best corporate governance laws, there lies a prominent shortfall in the implementation together with socialistic policies of the present.
- Concentrated ownership of shares, pyramiding and tunnelling of funds among group companies form the Indian corporate landscape.
- The selection procedure in Indian corporations is the biggest challenge for good corporate governance. Most companies in India comply only on paper and board appointments still happen by the way of word of mouth. This might draw a possibility to hamper the credibility of the company.
- The performance evaluation of directors that are disclosed in public for the achievement of desired objectives which may create trouble for the corporate.
- Existence of an environment of mistrust, scams, frauds, misappropriation of public money and corrupt practices pose enormous threats to good corporate governance.
- Faulty business structure and internal conflicts add on to the challenges in the management of companies.
- Lack of transparency and data protection.

Ways Suggested:

- Corporate governance in India must be primarily nurtured in terms of fixing the terms of the board so as to bring more accountability.
- It shall be the responsibility of the policymakers and the business communities to introduce more transparency and fair transactions in all the stages.

- Unless a corporation adopts and implements ethical conduct, it will be difficult for the corporation to access the global pools of capital needed to invite the good human capital across the globe.
- There exists certain grey areas in the legality of activities clashing with ethics raising several moral issues. These grey areas need to be addressed.
- Considering the present scenario, creativity is a need of essence to provide a competitive edge to corporate governance that boosts the public sector. Good corporate governance, good government and good businesses go hand in hand.

Read more summaries of [Perspective](#) in the link.

