LITERATURE REVIEW

As stated earlier, there has been very little research on corporate governance particularly in India prior to 2000. Some researchers in their individual capacities tried to explore the subject and did some findings; they did not apply it to large organizations. Most of the earlier advancements were made in countries with developed corporate culture like USA, UK, Germany and Japan etc. The researchers initially were keen to see whether there is any relation between good corporate governance and profitability or their research focused on issues related to protection of the interest of minority shareholders. Some agree that even competition is the best mechanism for achieving economic efficiency through minimization of the cost, the importance of corporate governance cannot be overlooked.

1. Chatterjee Debabrata (2010) did a comparative study on Corporate Governance and Corporate Social Responsibility – The case of Three Indian Companies ITC Ltd., Reliance Industries Ltd., and Infosys Technologies Ltd. He concluded that though the corporate governance practices are exemplary, there exist differences in the way the companies adopt the corporate governance practices. He rated Infosys better than the other two companies.

2. Mohamad Wan Adilah Wan Izyani, Sulong Zunaidab (2010) did a comprehensive study on Corporate Governance Mechanisms and Extent of Disclosure: Evidence from listed companies in Malaysia has revealed that companies with a higher percentage of family members, on the board, significantly have lower level of disclosure in annual report. It has been suggested that regulators like Bussa Malaysia and Securities Commission should review and impose a minimum level of family members on the board and Malaysian regulators should implement the same guidelines.

3. Thrikawala Sujani, et. al (2011) in their research Corporate Governance – performance relationship in Microfinance Institutions suggested that it is important to determine those corporate governance practices that have great impact on MFI performance. It has also made an advanced contribution to the understanding of corporate governance practices in MFI, identifying and developing an appropriate governance structure. It has also provided guidance for selecting directors for MFI Boards based on their academic and professional qualifications.

Tunisian Firms, the observation was that the Tunisian firms are featured by the lack of board independence and high level of ownership concentration. It has also concluded in it that corporate governance affects the accounting quality in the Tunisian context. It was observed that there is a link between corporate governance and accounting quality in corporate firms in Tunisia.

5. Kajanathan Rajendran (2012) did a study in Sri Lanka titled **Effect of corporate Governance on Capital Structure.** Investigation was made on the impact of corporate governance on capital structure of Sri Lankan manufacturing firms. It was concluded that corporate governance has important implications on the financing decisions of Sri Lankan manufacturing firms.

6. Bihari Suresh Chandra (2012) conducted the study **Corporate Governance is key to Better Corporate Image: A study in the Banking Sector in India.** It has been concluded that there is a need for a strong culture of compliance at the top of the organization and necessary to consider how management can respond to ethical or reputation concerns. The biggest challenge in India is to implement the rules of corporate governance at the ground level. It is required to extend the principles of good corporate governance practices to co-operatives, Non-banking Private Companies and other financial institutions.

7. Feizizadeh Ahmed (2012), Faculty Member Of Azad Islamic University, North Branch Tehran, Iran in his study “**Corporate governance: Frameworks**” concluded that corporate social ethical and environmental performances are being viewed increasingly by investors as indicators of management quality and proxies for performance in other areas of the business. A good company must have good environmental management system. The extent to which companies satisfy the needs of a divergent group of stakeholders can also lead to the satisfaction of ultimate objective of shareholder’s wealth maximization.

8. Mulyadi Martin Surya, Anwar Yunita and Ikbal Muhammood observed that good corporate governance is based on the pillars of accountability, fairness, transparency and independence in his study **the importance of corporate governance in public sector (2012)** and concluded that community and citizens perceive that public sector corporate governance is essential in determining its service quality. Accountability, transparency and efficiency help in measuring performance of public sector.

9. Hussin Norazian Othman Radiab (2012) in **Code of Corporate Governance and Firm Performance** concluded that most of the good governance mechanisms still seem
to be insignificant in relation to firm performance which is measured by return on assets and return on equity. It has provided evidence that an independent board chair is an effective internal monitoring mechanism to promote better performance.

10. Meenu (2012) in her paper titled Need of Effective Corporate Governance and its challenges in India acknowledged that corporate governance has been proving a very efficient and effective system for our economy and to save the interest of shareholders. But it requires more efficient monitoring and transparent internal audit system which can lead to effective corporate governance.

11. Pavel Kral, Stanislav Tripes, Petr Pirozek and Pavel Pudit (2012) conducted a mixed method research titled corporate governance against recommendations: The case of the strong executive and the strong ownership concluded that strong ownership is usually effective in small organizations while in larger organizations it can lead to over exertion of owners and low performance. The result of their study revealed that a majority of joint stock companies, (5 out of 7) are able to produce above average Return on Assets when they have a strong executive.

12. Ramana Y. Venkata (2012), did A study on Corporate Governance issue & development In this study he has concluded that there is still lack of awareness about various issues regarding corporate governance like quality frequency of financial and managerial disclosure, compliance with code of best practices, roles and responsibilities of board of directors, shareholders’ rights etc. There have been many scams in companies due to collusion between companies and accounting firms, ineffective internal audits and lack of required skills by the managers. With the integration of Indian economy with global economy, companies are being asked to adopt better and transparent corporate practices. The degree to which companies observe basic principle of good corporate governance is an important factor for taking investment decisions.

13. Sharma Aparna (2012), in the paper titled Legal Framework and corporate governance: An Indian perspective found that significant efforts have been made by Indian regulators and the industry to overhaul corporate governance since 1990. The current corporate governance regime in India straddles both voluntary and mandatory requirements. For listed companies, requirements of clause 49 are mandatory. However the non-listed companies do not come under its preview.

14. Aggarwal Krishna Gopal and Medury Yajulu (2013) in their work “Good Governance – A tool to prevent corporate frauds” gave various suggestive measures
like ensuring appointment of independent auditor, role of professionals reviewed and regulated by respective professional bodies, effective implementation of several legislations, setting up of rating agencies would definitely take care to enhance the chances of good corporate governance and by strengthening the fraud preventive measures. Good governance process would require restructuring at political, bureaucratic and corporate level because of corruption and malpractices involved in the governance process.

15. Dharmastuti Christiana and Wahyudi Sugeng (2013) studied The Effectivity of Internal and External Corporate Governance Mechanisms towards Corporate Performance. They concluded that concentration of institutional ownership and debt holders are more effective in influencing the corporate financial performance than internal corporate governance. The internal corporate governance is not showing a significant influence towards corporate performance which means that the independent commissioners are not really independent and they cannot act to synchronize principal and management’s interests.

16. Khiari Wided and Karaa Adel (2013), conducted a study under the title name Corporate Governance and Disclosure Quality: Taxonomy of Tunisian Listed Firms Using the Decision Tree Method based Approach for all businesses. They concluded that the overall score of disclosure may not reflect the actual strategy of disclosure of the company. It also enables to identify corporate governance factors of its quality of disclosure. Their study also revealed that the characteristics of corporate governance to achieve the high quality of disclosure are not unique.

17. Kosulya P.R. Revathi D. Mohan.T (2013) studied Corporate Governance Models around the World. They opined that corporate governance provides the guidelines as to how the company can be directed or controlled such that it can fulfill its goals and objectives in a manner that adds to the value of the company and is also beneficial for all stakeholders in the long term. It is the technique by which companies are directed and managed i.e. carrying the business as per stake holder’s desires. Corporate governance encourages a trust worthy, moral as well as ethical environment.

18. Ngozi Ijeoma and Raymond Ezejiofor A. (2013) in ‘An appraisal of corporate governance issues in Enhancing Transparency and Accountability in small and medium enterprises’ concluded that Corporate Governance has contributed significantly in ensuring accountability and transparency in order to improve the performance of an enterprise as well as it facilitates in achieving its social
responsibilities towards the environment. It has also assisted in providing structure through which the objectives are set and means for attaining these objectives. It is important for a company to follow good corporate governance practices. India being an emerging economy needs to work more on regulating the corporate governance policies. The directors should have more defined roles and responsibilities. In the long run, a market oriented and shareholder countered system must develop as a new emerged system.

19. Bansal Aishvarya and Bansal Bhavya (2014) were of the view that better governance leads to better management in their paper Corporate Governance and Risk Management in Insurance Sector: A review of Literature. They were of the opinion that corporate governance also includes risk management for the insurance companies. Risk cannot be diversified and therefore the insurance business is always at a risky stage. The study revealed that the corporate governance practices differ according to the nature of the insurance industry, composition of board of directors, independent directors, risk taking characteristics and other such features. The study acknowledged the ever-growing importance of corporate governance and risk management in the insurance sector.

20. Bhardwaj Neelam, Dr. Roao Ragharendra Batani (2014) title Corporate Governance Practices in India- A case study, In most of the cases it is felt that corporate governance is followed by most of the companies on paper only. In India, it has been observed that majority of the companies are following the mandatory provisions and disclosing the required information as per the revised clause 79. Some companies like Bajaj Auto, Infosys, Dr. Reddy etc., have disclosed the information beyond the requirement of revised clause 49. Infosys got the rating done for its corporate governance practice from ICRA and CRISIL.

21. Bistrova Julija and Tear Onavicience Manuela (2014) in their research work titled Corporate Governance as a Crucial Factor in Achieving Suitable Corporate Performance concluded that corporate governance discrepancies between the good and bad companies, in terms of performance, consist of three parts: General Evaluation of Governance, Quality of earnings assessment, Research on the ownership influence.
The study also indicates the high importance of transparency of the company in the emerging European concern. Ownership structure analysis proves that the type of major shareholder does not matter when one selects the stock for the equity portfolio.

22. **Chadha Shruti (2014) Corporate Governance and Research and Development: Evidence from India** asserted that boards play a crucial role in the company decision making, which is supported by the positive relationship between R&D, intensity and percentage of inside directors. He has concluded that a negative relationship of sales with R&D as companies might be investing in diversification rather than R&D.

23. **Chowdhary Priyanka (2014)** in her research titled: *Corporate Governance in Insurance Sector*, observed that adoption of good corporate governance practices enhances transparency of insurance companies operations, ensures accountability and improves firm’s profitability. It also helps to protect the interest of the shareholders by aligning their interest with that of the administrators. The results also show that generally corporate governance has positive impact on profitability of insurance companies as well.

24. **Kaur Kulbeer (2014)** did an investigative comparison in her study *Corporate Governance: A comparison between India & China* and remarked that Indian companies have an edge over the Chinese in reaching international standards of governance. There is less political interference in Indian Boards at least in the private sector. However most of the corporate sector companies in China are state owned enterprises or state sponsored enterprises, hence there is a lot of political influence.

25. **Machado Michele et. al (2014)** in their research investigated after the occurrence of corporate fraud in Brazilian Banks from January 2001 to December 2012, seven test hypotheses were constructed from the agency theory in their research work, *The Agency Theory and the Identification of Corporate Fraud: A study applied to Brazilian Banks*. It was concluded that larger the size of the bank greater the corporate fraud. It is seen that low indicators of corporate governance and provision for loan losses increase the possibility of a corporate fraud.

26. **Maheshwari Meenu & Meena Sapna (2014) -Corporate Governance Standards & Practice in State Bank of India: An Empirical Study** has concluded that SBI is showing maximum compliance towards corporate governance norms. There are certain positive aspects like board corporate governance philosophy, sufficient number of board members with large number of non-executive directors which are shown in annual
report of SBI. But certain aspects like dematerialization of shares, review of various committees and directors seeking appoints are not given in annual reports.

27. Nasieku Tabitha et. al (2014) researched on the topic Corporate Governance & Firm’s Earnings Quality. They concluded that good governance practices have the way for companies to grow or attract additional investors for raising capital through borrowings from bank. Sound corporate governance practices lead to improved internal central system, less probability of frauds, high profitability & helps in reducing conflicts between owners and management.

28. Opara C. Leonard and Adale Ayodele John (2014), did a study in Nigeria titled The Legal Regime of Corporate Governance in Nigeria: A critical analysis. Even here, the conclusion was that Good corporate governance is essential in corporate administration as a result of its huge benefits to companies, its shareholders. The main challenge is to ensure that the system is constantly monitored & updated to ensure that the codes are relevant and reliable.

29. Ponduri S.B et. al (2014) in their research titled corporate governance- Emerging Economics Fraud & Fraud Prevention, suggested that management should pay special attention to computer incidents where fraud is suspected and in those cases should take extra care in damage evaluation, collection of evidence and in documentation of evidence collection etc. It was concluded that government should update the governing policies and see that every organization should strictly follow this rather put into paper alone. The methodology should be extended to private companies but it can be expensive to comply with the provisions of corporate governance.

30. Sharma Anju (2014) in her study Conceptual Corporate Governance in India- A case study of Tata Group Concluded that concept of corporate governance depends on transparency, integrity and accountability of management and board of directors. In the era of globalization good corporate governance helps as a great tool for the companies. Tata group of industries fully implemented the concept of corporate governance to fulfill the objectives by appropriate reporting of governance. She also concluded that governance reporting has a vital role to play in building investor confidence in the financial statements.

31. Sharma Anshul & Gupta Pooja (2014) did the research titled Corporate Governance in India: Evolution & ChallengesTheir conclusion was that good governance is an ideal which is difficult to achieve. Very few countries have achieved good governance. A failure in corporate governance is a real threat to the future of any organization. They
were quite optimistic that India is now strongly committed to sustain and rapidly further the major economic reforms.

32. **Shungu Progress et. al (2014)** studied the **Impact of Corporate Governance on the performance of commercial banks in Zimbabwe** and remarked that corporate governance has an impact on the performance of commercial banks in Zimbabwe as it helps to restore back investors’ and depositors’ confidence. It has also highlighted the conclusions that could be drawn based on the results displayed where corporate governance and commercial bank performance was analyzed.

33. **Velte Patrick (2014)** in his article **Improving Corporate Governance Quality Through Modern Controlling Integrated Reporting in the German Two Tier System** concluded that international sector efforts provide a decision making process for corporate management, in which target oriented central supervision is demanded. A harmonized internal and external reporting is required for financial accounting crossing over to IFRS.

34. **Zemzem Ahmed & Kacem Oumeima (2014)-Risk Management, Board Characteristic & Performance in the Tunisian Lending Institutions** concluded that some corporate governance mechanisms, like board of directors, affect the performance of a firm. They have also concluded that risk management negatively affects corporate performance in the Tunisian lending institutions. It also contributes to the existing literature since it determines the relationship between risk management, board characteristics and performance within Tunisian context.


36. **Gherghina Cristian Stefan (2015)** conducted an assessment of corporate governance by the instrumentality of Ratings for a sample of 68 companies listed on the Bucharest stock exchange in Romania. Their work was titled, **Corporate Governance Ratings and Firm Value: Empirical Evidence from the Bucharest Stock Exchange.** The study asserted that the companies listed on BSE developed a Global rating of corporate governance as well as several specific ratings towards board independence, ownership concentration and board diversity. However by estimating various multivariate linear regression models it was documented that the lack of any statistical significant
relationship between the governance global rating and firm value is shown by return on assets return on equity and earnings per share.

37. **Jha Vidhu Shekharand Mehra Vikas (2015), Corporate Governance issues, practices and concerns in the Indian context – A conceptual study** addresses some of the issues and concern faced by Indian companies on the issues of corporate governance. All developments related to corporate governance have occurred after liberalization in 1991. Many large companies like TCS are doing credible work with regard to corporate governance. The ultimate objective of corporate governance is to attain the highest standard of procedures and practices followed by corporate world to have transparency in its functioning for achieving the aim of maximizing value of various share holders.


It was concluded that a conceptual frame work for corporate governance needs to include the extent to which operating practices in banks amplify systems risk and generate crisis. The investigation revealed that there is a gap between implemented governance norms and required governance norms for the efficient governance system in banking sector SBI is performing well in comparison with HDFC Bank for selected time.

39. In the paper titled: **Literature review on corporate governance structure and performance in non-financial firms in Bangladesh, by Samaduzzaman Munshi, Zaman Fazluz and Quazi Zahurul, (2015),** it was concluded that corporate governance is an internal system which includes policies, people and processes which serve the needs of shareholders and other stakeholders. It is referred to as a set of policies, regulations and rules which are framed to safeguard the interests of the shareholders. Present corporate governance practice in Bangladesh does not provide sufficient legal, economic and institutional motivation for the stakeholders. In Bangladesh, the corporate governance structure is mostly managed and owned by family members which results in hindering the level of fairness, accountability and transparency.

40. **ManafiRoghayeh, Dr. Mahmoudian Amir and Dr. Zabibi Ali (2015) concluded in his Study of the Relationship between Corporate Governance and Financial Performance of the Companies listed in Tehran stock exchange market** that there is
negative and significant correlation between management, ownership and CEO duality with firms’ financial performance. The institutional shareholders have a positive and significant relationship with financial performance of the firms.

41. **Saad Maali Ben Kachour, Jarbau Anis (2015)** concluded in his study **accounting conservatism and earning time lines: Impact on corporate governance index** that accounting conservatism has actually had a significantly positive effect on corporate governance index. It has also been studied that more conservative in the design of financial statements of a company is more effective practice of good governance principal.

42. **Sachdeva Sativinder Kaur, Batra G.S. and Walia Nidhi (2015)** under the title **Corporate Disclosure practices in selected Indian Companies** asserted that there is an increase in the average score and in corporate governance index in case of all the companies. It is 14% in case of automobile sector whereas it is 20% in case of financial sector, 26% in case of FMCG sector the highest one. In case of construction sector average score is considered the lowest among all sectors.

43. **Shukla Kedar (2015)** in a study **of structure of corporate governance in Central Government organizations in India** was of the opinion that the need of the governance mechanism like corporate sector was indeed found for the regulation and management in all central government organizations. The function and purpose of the central government organizations are quite different than the corporate purpose. The main purpose of the above paper is to understand how the governance mechanism of the central government organization different from the corporate or business organizations.

44. **Singh Anurag & Prof. Gite Priyanka (2015)** in the paper titled, **Corporate Governance Disclosure Practices: A Comparative Study of Selected Public and Private Life Insurance Companies in India** concluded that LIC being the only public sector company has to be more attentive and concerned on some heads of the corporate governance so that LIC is able to face the competition given by private life insurance companies in fair and transparent manner.

45. **Sridhar V.R (2015)** in his study **Impact of corporate governance on financial performance of companies-A study with reference to select corporate sectors** concluded in his study that in order to have moderate performance to best performance, companies should have moderate to best corporate government practices. His study has also revealed that best corporate governance practices ensure moderate performance to best performance in most of the companies like RIL, Dr. Reddy, Mahindra & Mahindra etc.