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Conceptual Framework of Corporate Governance

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Abstract: Corporate governance is the system from which companies are directed and controlled. It is not just called corporate management but it is something broader it includes a true and effective administration to achieve certain well defined objectives. It is a system from which company achieve long term strategic goal to satisfy shareholders, creditors, employees, customers and suppliers with legal and regulatory requirements. This research study gives an detail information about how corporate governance works and why it is more essential for corporate world.

Keywords: Corporate, Corporate governance and management.

1. Introduction

In the new environmental context, corporate governance is no longer a luxury buta necessity. There is a gap between precept and practice of corporate governance. Manifold regulations, lack of concern for society, feudal mind set, a sense of in securities and greedy are some of the reason for this. To bridge this gap we need todo something like CORPORATE GOVERNANCE.

The basic goal of corporate is to maximize shareholders' wealth in legal and ethical manner. There are three players are involve in this game shareholders, managements and directors.

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2. Meaning of corporate governance

- "Corporate Governance is the expression which is not capable of precisely defined. However broadly speaking corporate governance denotes directions and control of the affairs of a company."

-Dr.K.R.Chandratre

- 'Corporate governance is a priority for firms because it presents opportunities to manage risks and add value. Focus of corporate governance is shifting from mere obligation and compliance with laws and listing standards, to a business imperative for many firms. Corporate governance significantly influences the firm's performance. Good corporate governance is a key driver of sustainable corporate growth and long-term competitive advantage

- Pankaj M Madhani

- Corporate Governance deals with laws, procedures, practices and implicit rules that determine a

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company's ability to take informed managerial decisions vis –a- vis its claimants – in particular, its shareholder, creditors, customers, the state and employees. There is global consensus about the objective of good corporate governance maximizing long term shareholdervalue.

-CII (Confederation of Indian industry)

In short corporate governance is involves balancing the interest of company's shareholders as well as management executives, customers, suppliers, the government, and the community.

3. Need for corporate governance

Corporate governance was needed because of the rising non-compliance of the standards related to the financial reporting and accountability by the director's board which in turn was the reason of the huge losses to the investors of the Company .Not in India but around the world many companies fallout because of non-complying the standards related to the financial reporting and accountability.

The company will showing their commitment of their ethical work and maintain a good image in national and international market by using the code of conduct which is provided by corporate governance.

4. Features of good corporate governance

Good corporate governance has some important features through which company can accomplish its financial and nonfinancial objectives. Following are the characteristics' of corporate governance.

Followings are other characteristics of good corporate governance.

✓ **Power:**

Good corporate governance has power to ensure corporate success and economic growth.

✓ **Encouraging and maintaining investments:**

Corporate governance attracts and maintains investment by promoting transparency andaccountability. As a result company can increase capital efficiently and effectively.

✓ **Management:**

Corporate governance ensures a company is managed in the interests of its stakeholders and a few top managers, for that it provides inducement to the owners as well as managers.

✓ **Protection:**

Good corporate governance protects the company through controlling system by which it helps to minimize the wastages, risk, fraud and mismanagement.

5. Important committees for corporate governance

Board is responsible for direction, control, and conduct of the companies' affairs so that board is created several committees. Followings are few important committees.

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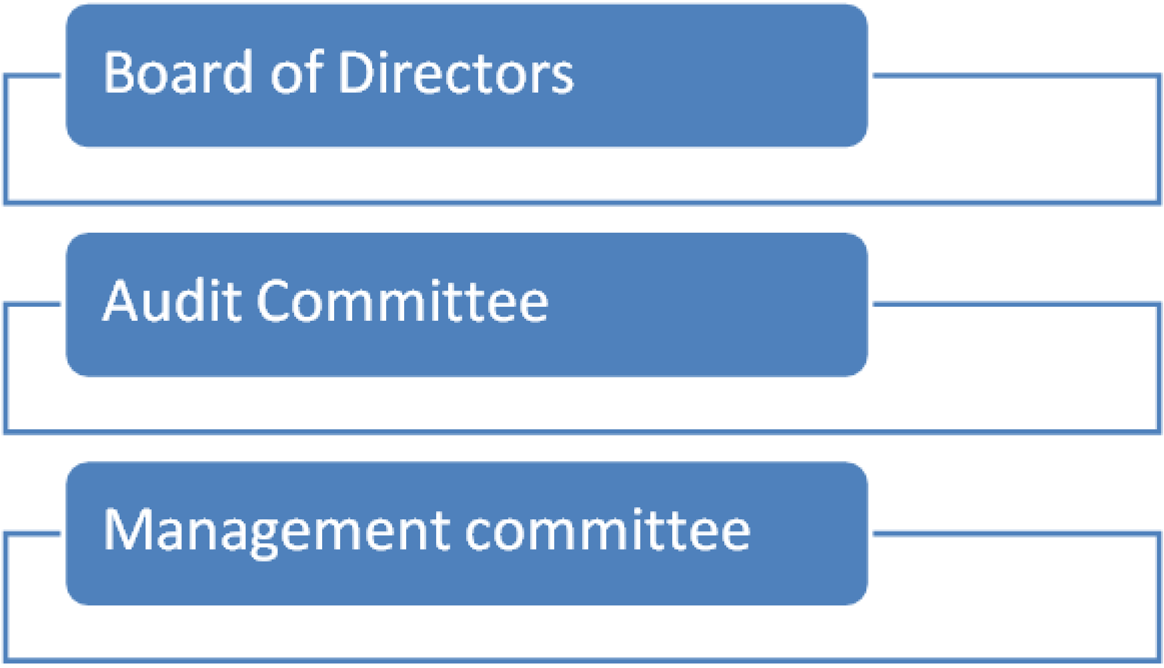
Chart 1.1. Important committees for corporate governance



(I) Board of directors committee:

Board is headed by the Chairman and Managing Director. It is a top level management bodiesand it may cover 10 to 15 members depending upon the size of company. This committee canmanage all management activities like regulating, controlling and conducting company.

(II) Audit Committee:

Audit committee is another committee for corporate governance

(III) Management committee:

Management committee is available as a sub-committee in bank and other financial institutions. This committee meets many times. The board cannot wait for regular board meeting to solve the problem of big credit proposal. It can be solved by managementcommittee.

6. Important issues in corporate governance:

Followings are important issue of corporate governance which affected all the countries of the world.

- Size of the Board in terms of number of directors, their occupancy andelimination
- Definition and the number of independent directors
- Directors' compensation and remunerations, tenure and liabilities
- Splitting of post Chairman and CEO
- Rationale of nominee directors
- Need of women directors
- Evaluation of Board performance
- Corporate Governance rating

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- CEO certification
- Other related matters like subsidiary companies, etc.
- Audit committee –various aspects
- Related party transactions, etc.
- Other items, like some board meetings without the presence of ExecutiveChairman, etc.
- Corruptions
- Government complications and lengthy process
- Government strategies
- Barriers in foreign trade

Above all the issue effect directly or indirectly to the corporate or company. These all issues are corporate internal and external issues. Company must fulfill those issues, lack of these issue company can face many complications.

7. Conclusion

Corporate governance is a current media peak in India also in whole world. The new model of corporate governance is in tune with changing times, in keeping with the demand for greater answerability of companies to shareholders and customers, economic liberalization and deregulation of industry and business and other factors. Corporate managers and other authorities have variously defined the concept that corporate governance broadly refers to the relationship among the owners, directors and managers.

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