CORPORATE GOVERNANCE PRACTICES AND PROTECTION OF INTEREST OF RETAIL INVESTORS

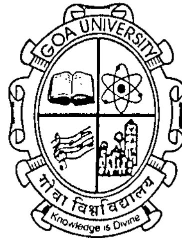
Thesis submitted in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

in

COMMERCE

to the



658.400954
SAW/Cor

GOA UNIVERSITY

by

SANJAY PRABHAKAR SAWANT DESSAI
Associate Professor
VVM's Shree Damodar College of
Commerce and Economics, Margao - Goa.

Under the guidance of

DR. I BHANU MURTHY
PRINCIPAL
VVM's Shree Damodar College of
Commerce and Economics, Margao - Goa.

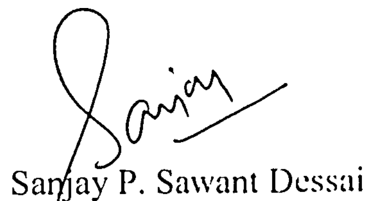
January 2012

T-567

DECLARATION

I, Sanjay P Sawant Dessai, hereby declare that the thesis titled "Corporate Governance Disclosure Practices and Protection of Interest of Retail Investors" submitted to Goa University, Goa for the award of the degree of Doctor of philosophy is the outcome of original and independent research work undertaken by me during the period 2007-2011. The study is carried out under the supervision and guidance of Dr. I. Bhanumurthy, Principal, VVMs Shree Damodar College of Commerce and Economics, Margao Goa.

It has not been previously formed the basis for the award of any degree, diploma or certificate of this or any other universities. I have duly acknowledged all the sources used by me in the preparation of thesis.



Date :

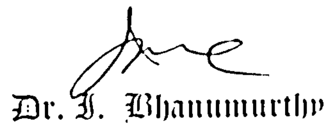
Place : Sanjay P. Sawant Dessai

CERTIFICATE

This is to certify that the thesis titled "**Corporate Governance Disclosure Practices and Protection of Interest of Retail Investors**" for the award of Ph.D. Degree in Commerce, is the bonafied record of the original work done by Shri Sanjay P. Sawant Dessai, during the period of study under my supervision. This thesis has not formed the basis for award of any degree, diploma, certificate, associateship, fellowship or similar title to the candidate of this University or any other university.

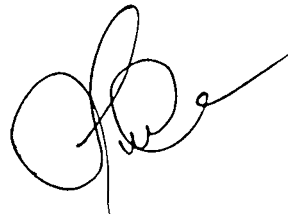
Date :

Place : Margao



Dr. I. Bhanumurthy

NO corrections were suggested by Examiners.
Certified and Approved.



ACKNOWLEDGMENT

The journey of doing Ph.D. was a great learning, enriching and fulfilling experience for me. In this process, many people have encouraged and supported me to achieve this personal achievement. I take this opportunity to thank all those people who have helped me by sparing their valuable time and academic input. First and foremost, I would like to acknowledge with deep sense of gratitude the appreciation, encouragement and invaluable guidance rendered by my guide Dr. I. Bhanumurthy, Principal, Shree Damodar College of Commerce and Economics, Margao, Goa. I consider myself fortunate to have such a conversant, helpful and friendly guide who is always there to help me.

I also record my sincere thanks and gratitude to Professor Y.V. Reddy, Dean and Head, Dept. of Commerce, Goa University for his invaluable input and comments which helped me to shape my thesis. Thanks are also due for other faculty members of the Department Professor B. Ramesh, Dr. Anjana Raju for their encouragement and support. I also thank the office staff of the Department for their help and support throughout my Ph.D. programme.

I sincerely thank Members of the Board of Management, Vidya Vikas Mandal and my colleagues at Shree Damodar College of Commerce and Economics, for their encouragement and support.

I have personally benefitted from the discussions I had with many individuals during the course of my research. Particularly, I would like to extend my gratitude for the helpful

comments and suggestions received from Dr. Prita D. Mallya, Dr. George Amballoor, Dr. Nandakumar Mekoth, Dr. B.P. Sarath Chandran, and Dr. G. Srinivas.

I thank Librarians of Goa University and VVM's Shree Damodar College of Commerce and Economics for providing access and sharing resources which enabled the completion of my research.

I acknowledge the assistance provided by University Grants Commission (UGC) for awarding teacher fellowship under the Faculty Improvement Program (FIP) of the eleventh plan and providing contingency grant for carrying out my research.

My special thanks go to my wife Kavita for her unfailing support and encouragement during my research. She wholeheartedly supported me throughout this period which enabled me in the completion of my Ph.D. I wish to thank my Mother and children Prabhakar and Saloni for their understanding and support.

January 2012 - Sanjay P S Dessai

CONTENTS

Chapter	Title	Page Nos.
CHAPTER I	**INTRODUCTION**	**1 – 21**
1.1	Introduction	1
1.2	Corporate Governance	3
1.3	Concept of Cooperate Governance	3
1.4	Scope of Corporate Governance	4
1.5	Need of Corporate Governance	5
1.6	Principles of Corporate Governance	5
1.7	Historical Background	6
1.8	Global Corporate Governance Principles	6
1.9	Indian Experience	7
	1.9.1 Confederation of Indian Industries Code	7
	1.9.2 Securities and exchange Board of India Code	7
	1.9.3 Narayan Murthy Committee	8
1.10	Clause 49 of Listing Agreement	9
1.11	Compliance of Clause 49 of Listing Agreement	20
1.12	Monitoring Cell	21
CHAPTER II	**LITERATURE REVIEW**	**22 – 46**
2.1	Introduction	22
2.2	Studies conducted oversees	22
	2.2.1 Separation of ownership and control	22
	2.2.2 Governance mechanisms and firm performance	24
	2.2.3 Large shareholders or block holders	27
	2.2.4 Legal system and investor protection	28
	2.2.5 Corporate governance disclosure practices and firm performance	29
2.3	Indian Literature review	33
	2.3.1 Emergence of corporate governance in India	34
	2.3.2 Ownership/Capital Structure and Corporate Governance	37
	2.3.3 Institutional Investors and Corporate Governance	38
	2.3.4 Board Characteristics and Firm performance	39
	2.3.5 Executive Compensation	43
	2.3.6 Corporate governance Disclosure practices	44
CHAPTER III	**RESEARCH METHODOLOGY**	**47 – 57**
3.1	Introduction	47
3.2	Objectives of the study	48
3.3	Scope of the study	48
3.4	Need and significance of study	49
3.5	Hypothesis	51

Chapter		Title	Page Nos.
3.6		Research Methodology	52
3.7		Structure of the theses	56
3.8		Limitations of study	57
CHAPTER IV		**DATA ANALYSIS AND RESULTS**	**58 – 124**
4.1		Introduction	58
4.2		Corporate governance disclosure practices of selected companies	58
	4.2.1	Disclosure practices variables	59
	4.2.2	Separation of post of Chairman and CEO in the company	61
	4.2.3	Number of Directors on the Board	63
	4.2.4	Executive Directors	65
	4.2.5	Non Executive Directors	66
	4.2.6	Independent Directors	67
	4.2.7	Audit Committee	69
	4.2.8	Shareholders/Investors Grievance committee and its composition	72
	4.2.9	Board meetings, Audit committee meeting and shareholders grievance committee meetings	76
	4.2.10	Number of complaints received, solved and unsolved by the SHGC	79
	4.2.11	Additional Committees of the Board	82
4.3		Company attributes and its influence on corporate governance disclosure practices	83
	4.3.1	Introduction	83
	4.3.2	Explanatory variables and Hypothesis	84
	4.3.3	Mandatory and Non mandatory corporate governance disclosure index	90
	4.3.4	Association between company attributes and mandatory disclosure index	92
	4.3.5	Companies attribute and influence on non-mandatory disclosure index	97
	4.3.6	Multiple regression analysis	102
4.4		Investor's perception and awareness on corporate governance	105
	4.4.1	Introduction	105
	4.4.2	Retail Investors / Small Investors	106
	4.4.3	Sample selection and methodology	107
	4.4.4	Sample profile	108
	4.4.5	Results and Discussion	109
	4.4.6	Investors Awareness on corporate governance disclosure practices	119

LIST OF TABLES

Table No.	Title of the Table	Page No.
3.1	Operational meaning of the variables	55
4.1	Descriptive statistics of chairman, executive/non executive in the company	62
4.2	Descriptive statistic of number of directors on the board	64
4.3	ANOVA results of composition of number directors on the board based on size of the company	64
4.4	Descriptive statistics of number of executive directors across the different size of companies	65
4.5	ANOVA results of composition of number of executive directors on the board of the companies	66
4.6	Descriptive statistics of number of non executive directors on the board of the companies	67
4.7	ANOVA results of number of non-executive directors on the board of the companies over three years	67
4.8	Descriptive statistics of number of independent directors on the board of the company for three years	68
4.9	Analysis of composition of independent directors across the size of the company over three years	69
4.10	Descriptive statistics of composition of directors in audit committee and percentage of independent directors in the audit committee for period of three years	70
4.11	ANOVA results of composition of number of directors on audit committee and percentage of independent directors on audit committee for three years	71
4.12	Chairman of share holder's grievance committee, executive, non executive or independent	73
4.13	Descriptive statistics of number of directors on SHGC and percentage of independent directors on SHGC committee	74
4.14	ANOVA results, number of directors on SHGC and percentage of independent directors on SHGC committee	75
4.15	Descriptive statistics showing number of board meetings, audit committee meetings and shareholders grievance committee meetings	77
4.16	Analysis of meetings of board, audit committee and shareholders grievance committee	78
4.17	Number of complaints received, solved and unsolved by three categories of companies	80
4.18	ANOVA results of number of complaints received, solved and unsolved across the companies	81
4.19	Descriptive statistics of additional board committees exists in the companies	82

Table No.	Title of the Table	Page No.
4.20	ANOVA results of additional board committees across the companies	83
4.21	Descriptive statistics of the promoters share holding in the company	86
4.22	Descriptive statistics of financial institutions shareholding in the company	88
4.23	Descriptive statistics of age on the sample companies in years for three years	89
4.24	Descriptive statistics of number of independent directors on the board	90
4.25	Descriptive statistics of mandatory corporate governance index	91
4.26	Descriptive statistics of non mandatory corporate governance index	92
4.27	ANOVA results of mandatory disclosure index and size of the company	93
4.28	ANOVA on mandatory corporate disclosure index and industry sector for three years	94
4.29	Regression results of promoters shareholding (psh) and mandatory corporate governance disclosure index	94
4.30	Regression results of financial institutions shareholdings (fish) and mandatory corporate governance disclosure index	95
4.31	Regression results of age of the company (ac) and mandatory corporate governance disclosure index	96
4.32	Regression results of association between independent directors on board (idb) and mandatory corporate governance disclosure index	97
4.33	ANOVA results of non- mandatory disclosure index and size of the company	98
4.34	ANOVA on non mandatory corporate disclosure index and industry sector for three years	99
4.35	Regression results of promoter's shareholding (psh) and its influence on non mandatory corporate governance disclosure index	99
4.36	Regression results of financial institutions shareholdings (fish) and its influence on non - mandatory corporate governance disclosure index	100
4.37	Regression results of age of the company (ac) and its influence on non mandatory corporate governance disclosure index	101
4.38	Regression results of independent directors on board (idb) and non mandatory corporate governance disclosure index	101
4.39	Multiple regression results of company attributes and mandatory disclosure index	103

Table No.	Title of the Table	Page No.
4.40	Model summary of company attributes and mandatory disclosure index	103
4.41	Multiple regression results of company attributes and non mandatory disclosure index	104
4.42	Model summary of company attributes and non mandatory disclosure index	105
4.43	Location wise distribution of respondents	108
4.44	Different categories of investors	108
4.45	Company wise distribution of respondents responses on notice of the annual general meeting	110
4.46	Attendance at meeting of respondents	111
4.47	Number of shareholders take part in voting	112
4.48	Company wise distribution of respondents response on postal ballot	113
4.49	Company wise distribution of respondents response on casting of vote in case of postal ballot	113
4.50	Company wise distribution of respondents response on receipt of dividend	114
4.51	Company wise distribution of respondents perception on deprival of corporate benefit	114
4.52	Company wise distribution of complaint reported by the investors	115
4.53	Company wise distribution of respondents' perception on complaints solved	116
4.54	Company wise distribution of respondents opinion on share transfer	117
4.55	Company wise distribution of respondents opinion on safety of investment	117
4.56	Kruskal-Wallis h test for size of company and investor relations	118
4.57	Respondents awareness on corporate governance practices	120
4.58	Respondents awareness on composition of board of directors	120
4.59	Respondents awareness on committees of the board	121
4.60	Respondent perception on delisting of shares for non compliance of listing agreement	122
4.61	Response on should company allowed to do business with subsidiary company	123
4.62	Responses on more disclosure in corporate governance report	123
4.63	Responses against promoters holding more than 75 percent shareholding in the company	124
4.64	Chi-Square test of goodness of fit on Investors awareness	124

CHAPTER I

INTRODUCTION

1.1 Introduction

Indian capital market has long history, unorganized trading activity started in India way back in 1875 under a Banyan tree in Mumbai, and over the 135 years there are sweeping changes have taken place in Indian capital market especially after government of India initiated the financial reforms and opened Indian economy for overseas investors. With globalization, liberalization and privatization process in year 1991 Indian companies got exposed to world capital markets and world market has become one.

Over the past twenty years the Indian economy has undergone a number of reforms, which have resulted in a more market-oriented economy. The size of Indian corporate is increasing and accordingly the expectations of various stakeholders are also growing. Indian companies started raising money trough American Depositary Receipts (ADR), Global Depositary Receipts (GDR), and Foreign Currency Convertible Bonds (FCCB). Foreign Direct Investment (FDI) started flowing from different parts of the world, with these reforms at the back drop there is a pressure on Indian corporate to bring transparency in governance of their organisation.

Most of the corporate houses in India were started initially as private companies, and subsequently converted into the public companies by issuing Initial Public Offers (IPOs) to the public. There are more than 5000 listed companies in Indian capital markets and as per NSE fact book (2010), on an average, promoters hold 57.83% percent of the shares in these listed companies and remaining of 42.17

non promoter's shareholdings is shared between different stakeholders such as Financial Institutions, Mutual funds, Foreign Institutional Investors, Corporate Bodies and small investors. Out of 42.17 percent non - promoter's stake in the company, Indian public (retail investors) holds on an average 15.57 percent. Since retail investors' shareholding in listed companies is very low and dispersed over a large number of investors spread across different parts of the country, and who do not attend annual general meetings of the companies especially due to distance, have no representation in the decision making process of management of the company. Due to this promoters of the company dominate the management of the company in decision making process and control the company. In such a situation, mandatory corporate governance disclosure practices are the only safety measures available for the retail investors to protect their interest from the dominance of promoters of the company.

Keeping in mind the safety of various stakeholders, especially of the minority shareholders, Securities and Exchange Board of India (SEBI) mandated corporate governance disclosure practices for the listed companies in India by way of clause 49 of listing agreement.

From the point of view of corporate, with opening of economy, Indian companies are exposed to world market and companies realised that for raising of funds from overseas market, they have to bring more transparency in business.

The expectation of various stakeholders can be satisfied with good corporate governance disclosure practices. We have seen a rapid increase in accountability pressure on companies due to financial crises, accounting and remuneration scandals, and suspicion on the social and environmental implications of the business. All these have led to a growing demand for transparency about corporate behavior on a whole range of issues.

1.2 Corporate Governance

Corporate Governance means promoting corporate fairness, transparency and accountability. Corporate Governance is essentially all about how organizations are directed, controlled and held accountable to the stakeholders. The demand for corporate ethics and stricter compliance with the laws of the land has also contributed to the need for corporate governance. The ability of the board, the commitment of the individual members of the board, the integrity of the management team, alertness of the inspection and audit team, adequacy and quality of the process and reporting are the real factors which will ensure good corporate governance.

1.3 Concept of Corporate Governance

Company is an artificial and unnatural entity concerned with achieving the long term goals by identifying the opportunities available and accepting right challenges to make an appropriate allocation of resources. Companies' attempt to achieve these objectives through the instrumentality of a group of people known as board of directors but interest of board of directors may not always match with those of the shareholders on account of diversity of various reasons. It is in this context that need of corporate governance arises. Corporate governance is drawn from diverse fields like laws, economics, ethics, politics, management, finance, etc. (Bansal 2005)

Monks and Minnows have defined corporate governance as "relationship among various participants in determining the direction and performance of corporation."

James Wolfensohnn, President World Bank, defined corporate governance as "Corporate governance is about promoting corporate fairness, transparency and accountability"

Standard and Poor consider corporate governance as "the way a company is organised and managed to ensure that all financial stakeholders (shareholders and creditors) receive their fair share of a companies' earnings and assets".

Organisation for Economic Co-operation and Development (OECD) has defined corporate governance to mean "a system by which business corporations are directed and controlled." The corporate governance structures specifies the distribution of rights and responsibilities among different participants in corporation such as board, managers, shareholders and other stakeholders and spell out the rule and procedure for making decision in corporate affairs. By doing this, it provides the structure through which the company's objectives are set along with the means of attaining these objectives as well as for monitoring performance.

Cadbury committee UK (2000) has defined corporate governance as "It is the system by which companies are directed and control."

According to Confederation of Indian Industries Code, corporate governance refers to "an economic, legal and institutional environment that allows companies to diversify, grow, restructure and exit and do everything necessary to maximize long term shareholders value."

1.4 Scope of Corporate Governance

Scope of corporate governance extends to the following :

1) Board structure - It covers various aspects relating to the composition of board, representing the executive and non- executive and independent directors and their role on board.
2) Board Procedures – It covers aspects like convening board meetings, frequency of meetings, attendance at board meetings, constitution of various committees like

audit committee, remuneration committee, compensation committee and shareholders grievance committee .

3) Disclosure of shareholders information – Disclosure of information to shareholders about different aspects of business fulfilling shareholders rights.

4) Investors protection -- Investor protection is one of the major areas of corporate governance and investor's protection can be achieved by running business in transparent way with maximum disclosure.

1.5 Need of Corporate Governance

Corporate governance is concerned with the process by which corporate entities particularly public limited liability companies are governed. Human society needs governing, whenever power is exercised to direct, control and regulates social activity affecting people's legitimate interests, governance comes in to force. Governance is necessary; it identifies the rights and responsibilities, legitimizes actions and determines the accountability of the management. To safeguard and protect the interest of different stakeholders from specially the un-organised small investor is very important from being expropriation by managers of the company. Considering this fact there is need of corporate governance.

1.6 Principles of Corporate Governance

Transparency: Transparency means openness in Communication and action. It leads to the making of appropriate disclosure without jeopardizing company's strategic interest.

Integrity: Maintenance of legal ethical boundaries and high standards of propriety in managing the affairs of the company and board of directors must ensure that the company fulfills its obligations and responsibilities to its stakeholders.

Accountability: Assumption of responsibility for decisions and actions and submissions to external scrutiny. Management is accountable to the shareholders for the performance of task assigned to them.

1.7 Historical Background

The pioneering report on Corporate Governance was framed by the CADBURY Committee set up in May 1991 by the London Stock Exchange. This committee was set up to prevent the recurrence of corporate failures, which arose primarily out of poorly managed business practices. The committee investigated the accountability of the board of directors to shareholders and to the society. It submitted its report and associated "Code of Best Practices" in December 1992, wherein it spelt out the method of governance needed to achieve a balance between the essential powers of the board of directors and their proper accountability. The committee made recommendations, which were well received by the developed countries. The committee suggested a Code of practices for the board and suggested that it should have non-executive directors of sufficient caliber who should be appointed for a specific term.

1.8 Global Corporate Governance Principles

The development in UK had tremendous influence on other countries. In May 1999, ministers representing 29 Governments, which comprises the Organization for Economic Cooperation and Development (OECD) voted unanimously to endorse the

OECD principles of corporate governance. The G 7 leaders in their Summit in June 1999 also accepted these principles. According to OECD a well-governed corporate entity should recognise the importance of good business ethics and take cognizance of the environmental and social interests of the communities in which they operate. OECD principles are also expected to give due importance to safeguarding the interests of the different stakeholders like employees, creditors, suppliers, customers and policy makers.

1.9 Indian Experience

Increasing globalisation is generating a highly competitive business climate across all the countries. It is in this context that there was a pressing need to identify best Corporate Governance Standards, which will help countries like India to prepare to face global competition more effectively.

1.9.1 Confederation of Indian Industries Code

In India, the industry provided the initial impetus for corporate governance reforms. Driven by desire to make Indian businesses more competitive and respected globally, the Confederation of Indian Industries (CII) published a voluntary Code of corporate governance in 1998, one of the first codes in Asia.

1.9.2 Securities and Exchange Board of India Code

The first formal attempt at government level was made to evolve a code of corporate governance when the Securities and Exchange Board of India appointed a committee in May 1999 under Shri Kumar Mangalam Birla to suggest the measures to promote the corporate governance standards in India. According to Birla Committee

(1999) "an effective corporate governance system is one which allows the board of directors of a company to perform the function of directing and controlling the management of the company efficiently, while remaining accountable to the shareholders for creating, protecting and enhancing wealth and resources of the company, and reporting to them on performances in a timely and transparent manner".

The committee made two sets of recommendations - Mandatory and Non-mandatory. In January 2000 SEBI has accepted the recommendations and directed Stock Exchanges to implement all mandatory recommendations on corporate governance by making necessary amendments in their listing agreements. A new clause 49 was incorporated in the listing agreement about corporate governance. SEBI also issued suitable guidelines for implementation of the recommendation in a time bound manner.

The mandatory requirement of corporate governance prescribed by SEBI were

1. Composition of Board of Directors and their Term of Office;
2. Remuneration of Directors;
3. Board Procedure;
4. Management and Shareholders Rights;
5. Compliance Certificate from Auditors &
6. Audit Committee of the Board.

1.9.3 Narayan Murthy Committee

SEBI instituted a committee under the chairmanship of Mr. Narayan Murthy in 2004, to review the performance of corporate governance in India. The committee recommended enhancements in corporate governance code and SEBI, incorporated the recommendations made by the Narayan Murthy committee on corporate

governance report in clause 49 of the listing agreement. After accepting the recommendation SEBI revised the clause 49 of listing agreement and made applicable to listed companies from April 1 2005 but it could not come in to force since large number of companies were not prepared to fully implement and same was postponed and SEBI extended the date and made it effective from 1st January 2006 for all listed companies in India irrespective of size of the business of the company.

1.10 Clause 49 of listing agreement

Clause 49 of listing agreement consist of following guidelines, to be complied by the all listed companies and also applicable to all companies which intend to list on the stock exchanges in India .

I. Board of Directors

(A) Composition of Board

(i) The Board of directors of the company shall have an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors.

(ii) Where the chairman of the board is a non-executive director, at least one-third of the board should comprise of independent directors and in case he is an executive director, at least half of the board should comprise of independent directors.

(B) Non executive directors' compensation and disclosures

All fees/compensation, if any paid to non-executive directors, including independent directors, shall be fixed by the board of directors and shall require previous approval of shareholders in general meeting. The shareholders' resolution

shall specify the limits for the maximum number of stock options that can be granted to non-executive directors, including independent directors, in any financial year and in aggregate.

(C) Other provisions as to Board and Committees

(i) The board shall meet at least four times a year, with a maximum time gap of three months between any two meetings.

(ii) A director shall not be a member in more than 10 committees or act as Chairman of more than five committees across all companies in which he is a director. Furthermore it should be a mandatory annual requirement for every director to inform the company about the committee positions he occupies in other companies and notify changes as and when they take place.

(D) Code of Conduct

(i) The board shall lay down a code of conduct for all board members and senior management members of the company. The code of conduct shall be posted on the website of the company.

(ii) All board members and senior management personnel shall affirm compliance with the code on an annual basis. The annual report of the company shall contain a declaration to this effect signed by the Chief Executive Officer (CEO).

II Audit Committee

(A) Qualified and Independent Audit Committee

A qualified and independent audit committee shall be set up, giving the terms of reference subject to the following:

(i) The audit committee shall have minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors.

(ii) All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

(iii) The chairman of the audit committee shall be an independent director.

(iv) The chairman of the audit committee shall be present at annual general meeting to answer shareholders' queries.

(v) The audit committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the audit committee.

(vi) The company secretary shall act as the secretary to the audit committee.

(B) Meeting of Audit Committee

The audit committee should meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

(C) Powers of Audit Committee

The audit committee shall have powers, which should include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.

3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

(D) Role of Audit Committee

The role of the audit committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (nonpayment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower Mechanism, in case the same exists.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

(E) Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations.
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management.
3. Management letters / letters of internal control weaknesses issued by the statutory auditors.
4. Internal audit reports relating to internal control weaknesses.
5. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee.

III. Subsidiary Companies

(i) At least one independent director on the Board of the holding company shall be a director on the board of a material non listed Indian subsidiary company.

(ii) The Audit Committee of the listed holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.

(iii) The minutes of the board meetings of the unlisted subsidiary company shall be placed at the board meeting of the listed holding company. The management should periodically bring to the attention of the board of the listed holding company, all significant transactions and arrangements entered into by the unlisted subsidiary company.

IV. Disclosures

(A) Basis of related party transactions

(i) A statement in summary form of transactions with related parties in the ordinary course of business shall be placed periodically before the Audit Committee.

(ii) Details of material individual transactions with related parties which are not in the normal course of business shall be placed before the Audit Committee.

(iii) Details of material individual transactions with related parties or others, which are not on an arm's length basis, should be placed before the Audit Committee, together with management's justification for the same.

(B) Disclosure of Accounting Treatment

Where in the preparation of financial statements, a treatment different from that prescribed in an accounting standard has been followed, the fact shall be disclosed in the financial statements, together with the management's explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction in the corporate governance report.

(C) Board Disclosures – Risk management

The company shall lay down procedures to inform board members about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

(D) Proceeds from public issues, rights issues, preferential issues etc.

When money is raised through an issue (public issues, rights issues, preferential issues etc.), it shall disclose to the Audit Committee, the uses / applications of funds by major category (capital expenditure, sales and marketing, working capital, etc), on a quarterly basis as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and place it before the audit committee. Such disclosure shall be made only till such time that the full money raised through the issue has been fully spent. This statement shall be certified by the statutory auditors of the company. The audit committee shall make appropriate recommendations to the board to take up steps in this matter.

(E) Remuneration of Directors

(i) All pecuniary relationship or transactions of the non-executive director's vis-à-vis the company shall be disclosed in the Annual Report.

(ii) Further the following disclosures on the remuneration of directors shall be made in the section on the corporate governance of the Annual Report:

(a) All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc.

(b) Details of fixed component and performance linked incentives, along with the performance criteria.

(c) Service contracts, notice period, severance fees.

(d) Stock option details, if any – and whether issued at a discount as well as the period over which accrued and over which exercisable.

(iii) The company shall publish its criteria of making payments to non-executive directors in its annual report. Alternatively, this may be put up on the company's website and reference drawn thereto in the annual report.

(iv) The company shall disclose the number of shares and convertible instruments held by non-executive directors in the annual report.

(v) Non-executive directors shall be required to disclose their shareholding (both own or held by / for other persons on a beneficial basis) in the listed company in which they are proposed to be appointed as directors, prior to their appointment. These details should be disclosed in the notice to the general meeting called for appointment of such director.

(F) Management

(i) As part of the directors' report or as an addition thereto, a management discussion and analysis report should form part of the Annual Report to the shareholders. This management discussion & analysis should include discussion on the following matters within the limits set by the company's competitive position:

i. Industry structure and developments.

ii. Opportunities and Threats.

iii. Segment–wise or product-wise performance.

iv. Outlook.

v. Risks and concerns.

vi. Internal control systems and their adequacy.

vii. Discussion on financial performance with respect to operational performance.

viii. Material developments in Human Resources / Industrial Relations front, including number of people employed.

(ii) Senior management shall make disclosures to the board relating to all material financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the company at large (for e.g. dealing in company shares, commercial dealings with bodies, which have shareholding of management and their relatives etc.)

(G) Shareholders

(i) In case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the following information.

(a) A brief resume of the directors.

(b) Nature of his expertise in specific functional areas.

(c) Names of companies in which the person also holds the directorship and the membership of committees of the board.

(d) Shareholding of non-executive directors.

(ii) Quarterly results and presentations made by the company to analysts shall be put on company's web-site, or shall be sent in such a form so as to enable the stock exchange on which the company is listed to put it on its own web-site.

(iii) A board committee under the chairmanship of a non-executive director shall be formed to specifically look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. This Committee shall be designated as 'Shareholders/Investors Grievance Committee'.

(iv) To expedite the process of share transfers, the board of the company shall delegate the power of share transfer to an officer or a committee or to the registrar. The delegated authority shall attend to share transfer formalities at least once in a fortnight.

V. CEO/CFO certification

The CEO, i.e. the Managing Director or Manager appointed in terms of the Companies Act,1956 and the CFO i.e. the whole-time Finance Director or any other person heading the finance function discharging that function shall certify to the board that;

(a) They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief.

   (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

   (ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) They accept responsibility for establishing and maintaining internal controls and that they have evaluated the effectiveness of the internal control systems of the company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

(d) They have indicated to the auditors and the Audit committee.

  (i) Significant changes in internal control during the year.

  (ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements.

  (iii) Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

VI. Report on Corporate Governance

There shall be a separate section on corporate governance in the annual reports of company, with a detailed compliance report on corporate governance. Non-compliance of any mandatory requirement of this clause with reasons thereof and the extent to which the non-mandatory requirements have been adopted should be specifically highlighted.

VII. Compliance

(1) The company shall obtain a certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance as stipulated in this clause and annex the certificate with the directors' report, which is sent annually to all the shareholders of the company. The same certificate shall also be sent to the Stock Exchanges along with the annual report filed by the company.

(2) The non-mandatory requirements may be implemented as per the discretion of the company. However, the disclosures of the compliance with mandatory requirements and adoption (and compliance) / non-adoption of the non-mandatory requirements shall be made in the section on corporate governance of the annual report.

1.11 Compliance of Clause 49 of listing Agreement

The companies, which are required to comply with the requirements of the revised Clause 49, shall submit a quarterly compliance report to the stock exchanges within 15 days from the end of every quarter. The report shall be signed either by the Compliance Officer or the Chief Executive Officer of the company.

The Stock Exchanges shall ensure that all provisions of the revised Clause 49 of listing agreement have been complied with, by a company seeking listing for the first time, before granting the in-principle approval for such listing. For this purpose, it will be considered satisfactory compliance if such a company has set up its board and constituted committees such as Audit Committee, Shareholders/ Investors Grievances Committee etc. in accordance with the revised clause before seeking in-principle approval for listing.

1.12 Monitoring cell

The Stock Exchanges shall set up a separate monitoring cell with identified personnel to monitor the compliance with the provisions of the revised Clause 49 on corporate governance. The cell, after receiving the quarterly compliance reports from the companies, which are required to comply with the requirements of the revised Clause 49, shall submit a consolidated compliance report to SEBI within 60 days from the end of each quarter.

CHAPTER II

LITERATURE REVIEW

2.1 Introduction

Objective of this chapter is to provide comprehensive review of corporate governance literature relevant to the focus of the study. Lot of studies has been conducted abroad on corporate governance and disclosure practices after publication of Cadbury committee report in the UK in the year 1990. Most of the studies are revolving around the corporate governance and company performance, disclosure and company performance, managerial ownership and company performance, ownership structure, role of institutional investors and executive compensation.

In India, awareness on corporate governance as an issue came to forefront recently after Confederation of Indian Industries (CII) published its voluntary code on corporate governance in the year 1998. Indian corporate have uniqueness and most of the Indian companies belongs to business houses and disclosure of corporate governance practices got importance only after 1991 when Govt. of India opened up Indian market for foreign players. This chapter deals with review of studies done in to other countries and in India on corporate governance disclosure practices and investor protection.

2.2 Studies conducted overseas

2.2.1 Separation of ownership and control

The Modern Corporation and Private Property, the thesis by Berle & Means (1932) describes a fundamental agency problem in modern firms where there is a separation of ownership and control. Such separation has been clearly expressed by the authors' own statements: -

"It has often been said that the owner of a horse is responsible, if the horse lives he must feed it. If the horse dies he must bury it. No such responsibility attaches to a share of stock. The owner is practically powerless through his own efforts to affect the underlying property. The spiritual values that formerly went with ownership have been separated from it. The responsibility and the substance which have been an integral part of ownership in the past are being transferred to a separate group in whose hands lies control."

Jensen & Meckling (1976) Agency relationship is a contract under which "one or more persons (principal) engage another person (agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent". Conflict of interests between managers or controlling shareholder, and outside or minority Shareholders refer to the tendency that the former may extract "perquisites" (or perks) out of a firm's resources and less interested to pursue new profitable ventures. Agency costs include monitoring expenditures by the principal such as auditing, budgeting, control and compensation systems, bonding expenditures by the agent and residual loss due to divergence of interests between the principal and the agent. The share price that shareholders (principal) pay reflects such agency costs. To increase firm value, one must therefore reduce agency costs. This is one way to view the linkage between corporate governance and corporate performance.

Fama (1980) aptly comments that separation of ownership and control can be explained as a result of "efficient form of economic organization". In summary, with its root in industrial and organizational economics, agency theory assumes that human behavior is opportunistic and self-serving. Therefore, the theory prescribes strong director and shareholder control. It advocates fundamental function of the board of

directors is to control managerial behavior and ensure that managers act in the interests of shareholders.

2.2.2 Governance mechanisms and firm performance

2.2.2.1 Board of Directors

The Board of Directors is an important institution in the governance of modern corporations. Fama & Jensen (1983) view the Board as "the apex of internal decision control systems of organizations." From an agency theory perspective, boards represent the primary internal mechanism for controlling managers' opportunistic behavior, thus helping to align shareholders' and managers' interests (Jensen 1993). There is a view that larger boards are better for corporate performance because they have a range of expertise to help make better decisions, and difficult for a powerful Chief Executive Officer to dominate. However, recent thinking has leaned towards smaller boards. Jensen (1993) argues that large boards are less effective and are easier for the Chief executive officer to control. When a board gets too big, it becomes difficult to co-ordinate and process problems. Smaller boards also reduce the possibility of free riding by, and increase the accountability of individual directors. Eisenberg et al. (1998) find negative correlation between board size and profitability when using sample of small and midsize Finnish firms, which suggests that board-size effects can exist even when there is less separation of ownership and control in these smaller firms. There is also evidence that board size, together with other features of a board, is endogenously determined by other variables, such as firm size and performance, ownership structure, and CEO's preferences and bargaining power Hermalin & Weisbach (2001).

2.2.2.2 Inside or outside Directors

Though the issue of whether directors should be employees of or affiliated with the firm (inside directors) or outsiders has been well researched, no clear conclusion is reached. On the one hand, inside directors are more familiar with the firm's activities and they can act as monitors to top management if they perceive the opportunity to advance into positions held by incompetent executives. On the other hand, outside directors may act as "professional referees" to ensure that competition among insiders stimulates actions consistent with shareholder value maximization (Fama 1980). Agrawal & Knoeber (1996) suggest that boards expanded for political reasons often result in too many outsiders on the board, which does not help performance. Klein (1998) examines board committees by classifying committees according to the two primary roles of directors: monitoring and decision-making (advising managers). She finds that firms increasing insider representation on committees associated with decision making e.g. finance and strategy committees have higher contemporaneous stock returns and return on investment.

2.2.2.3 Chief Executive Officer Duality

Relating CEO duality more specifically to firm performance, researchers however find mixed evidence. Rechner & Dalton (1991), report that a sample of Fortune 500 companies with CEO duality have stronger financial performance relative to other companies. Daily & Dalton (1992) find no relationship between CEO duality and performance in entrepreneurial firms. Brickley et al. (1997) also show that CEO duality is not associated with inferior performance. Goyal & Park (2002) examine a sample of U.S. companies and find that the sensitivity of CEO turnover to firm performance is lower for companies without CEO duality. Faleye (2003) perhaps

presents an interesting proposition. He argues that no "one hat fits all" and board leadership structure depends entirely on individual firm characteristics such as organizational complexity, availability of other controls over CEO authority and CEO reputation and power. Using a sample of 2,166 U.S. companies, he finds that companies with complex operations (implying need for CEO to make swift actions), alternative control mechanisms and sound CEO reputation are more likely to have CEO duality. Due to recent corporate scandals in U. S. and high incidence of improper insider activities, more regulatory agencies appear to lean towards the opposition of CEO duality.

2.2.2.4 Multiple board appointments

The issue of multiple board appointments attracts considerable debate. Some shareholder activists feel multiple board appointments are ineffective in discharging their function to monitor managers. Several institutions in U.S. such as The Council of Institutional Investors and National Association of Corporate Directors generally advocate that directors with full-time jobs should not serve on more than two or three other boards. Lipton & Lorsch (1992) find that the most widely shared problem directors face is lack of time to carry out their duties, and that board meeting time is an important resource in improving the effectiveness of a board. Cook (2002), who retired as Chairman and CEO of Deloitte & Touche LLP in 1999 and has taken board seats at five major American companies as a professional director, commented that "there is considerable value in being on multiple boards... and the experience across boards can be of real value to the governance process". Ferris et al. (2003) find no evidence that multiple directors shirk their responsibilities to serve on board

committees and no significant evidence of a relation between multiple directorships and the likelihood that the firm will be named in a securities fraud lawsuit.

2.2.2.5 Number of Board meetings

Vafeas (1999) finds that the annual number of board meeting increases following share price declines and operating performance of firms improves following years of increased board meetings. This suggests meeting frequency is an important dimension of an effective board. Yet, an opposing view is that board meetings are not necessarily useful because the limited time the outside directors spend together is not used for the meaningful exchange of ideas among themselves or with management (Jensen, 1993), a problem that is a byproduct of the fact that CEOs almost always set the agenda for board meetings.

2.2.3 Large shareholders or block holders

Investors with large ownership stakes have strong incentives to maximise their firms' value and are able to collect information and oversee managers, and so can help overcome one of the principal-agent problems in the modern corporation – that of conflicts of interest between shareholders and managers (Jensen & Meckling 1976). Large shareholders also have strong incentives to put pressure on managers or even to oust them through a proxy fight or a takeover. Barclay & Holderness (1991) find that block purchases are followed by increases in share value and abnormally high rates of top management turnover. Consistent with the view that market for partial corporate control identifies and rectifies problems of poor corporate performance. Shleifer & Vishny (1997) point out that "Large shareholders thus address the agency problem in that they have both a general interest in profit

maximization, and enough control over the assets of the firm to have their interest respected." Bethel et al. (1998) find that activist investors typically target poorly performing and diversified firms for block share purchases, and thereby assert disciplinary effect on target companies' plans in mergers and acquisitions. Woidtke (2002) also cautions that not all institutional monitoring are positively related to firm value, as some institutional investors such as administrators of public pension funds (as opposed to private pension funds) may focus on political or social issues other than firm performance. Thus, not all shareholders may benefit from the managerial monitoring by institutional investors.

2.2.4 Legal system and investor protection

In different jurisdictions, rules protecting investors/creditors come from different sources, including company, takeover, competition laws, accounting standards, and also regulations and disclosure requirements from stock exchanges. Recent research suggests that the extent of legal protection of investors in a country is an important determinant of the development of financial markets. For example, La Porta et al. (2000) explain that the protection of shareholders and creditors by the legal system is not only crucial to preventing expropriation by managers or controlling shareholders, it is also central to understanding the diversity in ownership structure, corporate governance, breadth and depth of capital markets, and the efficiency of investment allocation. La Porta et al. (2000) however admit that reforming or improving such legal protection is a difficult task as the legal structure of a country is deeply rooted and in view of the existing entrenched economic interests. Daines (2001) presents yet another interesting case study on how corporate law can benefit shareholders. He suggests that Delaware law, by which more than 50% of the

public firms in U.S. are incorporated, facilitates the sale of public firms, thereby improving firm value. One contributing factor is the relatively clear and mild takeover law and expert courts in Delaware. La Porta et al. (2002) find evidence of higher valuation, measured by Tobin's q, of firms in 27 wealthy countries with better protection of minority shareholders. This evidence indirectly supports the negative effects of expropriation of minority shareholders by controlling shareholders in many countries, and for the role of the law in limiting such expropriation. In Asian context, Claessens & Fan (2002) confirm that the lack of protection of minority rights has been the major corporate governance issue and it is priced into the cost of capital to the firms. Leuz et al. (2003) also find empirical evidence in a study of 31 countries that corporate earning management (to mask firm performance) by insiders is negatively associated with the quality of minority shareholder rights and legal enforcement. Brockman & Chung (2003) contrast the Hong Kong blue chip stocks which operate in an investor protection environment comparable to that of Western Europe or North America and the China-based red chip stocks and H-shares which are exposed to China's legal system, they find that Hong Kong-based equities enjoy higher firm liquidity, measured by trading spread and volume, than their China-based counterparts. Such liquidity cost is ultimately reflected in stock valuation.

2.2.5 Corporate governance disclosure practices and firm performance

Ros Haniffa and Terry Cooke (2000) conducted study on accounting disclosure practice, indicates that the interaction of different factors in the environment within which companies operate influences their disclosure practices. Culture may be a factor of importance and previous studies have failed to empirically examine this variable as potential determinant of disclosure. Cultural values may be

considered collectively at the highest level in the organization i.e. Board of Directors, in terms of disclosure as a function of corporate governance and at the individual level, in terms of personality (both demographic and cognitive). Study investigates whether corporate governance and personal attributes in addition to company-specific characteristics are possible determinants of voluntary disclosure in Malaysia. Results indicate potential significance of two corporate governance variables (viz. chair that is a non-executive director and ratio of family members on boards). One personal variable, proportion of "bhumiputra" directors on the board, was found to be significant. Norita Mohd Nasir (2004) examined the influence of firm's financial status in explaining the level of voluntary disclosures in Malaysia. Financially distressed firms are the focus of her study these firms face governance issues especially one that involves the role of the Board of Directors, Audit Committee and ownership structure. Study attempts to determine whether voluntary disclosure is associated with financial status, corporate governance and ownership patterns. Study examined the annual reports of distressed and matched healthy firms for financial years 2000 and 2001, a post economic downturn period. Findings show that financially distressed firms had lower voluntary disclosures than their matched healthy firms. With regard to corporate governance variables, only board independence is found to have significant influence on the level of voluntary disclosures in the predicted direction. Audit Committee independence; on the other hand, is not associated with voluntary disclosures. However, strong and consistent findings are documented with regard to ownership patterns. Findings reveal that outside ownership is positively and significantly associated with the extent of voluntary disclosures. Further analysis also reveals that the extent of government-linked enterprises' shareholdings influences the amount of voluntary disclosures,

supporting the government's initiatives to promote transparency. The extent executive directors' shareholdings also have a positive influence to the voluntary disclosures level. However, Non-executive Directors' interest and the separation of CEO roles from Board Chairman are not associated with voluntary disclosures. Md. Habib-uz-Zaman (2006) studies the corporate governance disclosure reporting of SQUARE group of companies, his principal findings are twofold: firstly, SQUARE group of companies makes very few disclosures on corporate governance on a voluntary basis. Secondly, his findings show that SQUARE user groups are in favor of such disclosures. However, the disclosures reported in Bangladesh by Square are not ample in achieving the goals of corporate governance. Md. Hamid Ullah Bhuiyan & Pallab Kumar Biswas (2007) has examined the actual corporate governance practices in the listed public limited companies by considering 45 disclosure items. A random sample of 155 listed Public Limited Companies (PLCs) has been taken for this purpose. To facilitate the analysis, a Corporate Governance Disclosure Index (CGDI) has been computed and a number of hypotheses have been tested. The mean and standard deviation of CGDI have been found to be 56.04 and 17.20 respectively. In this study, significant difference has been found to exist among the CGDI of various sectors. Financial sector has been found to make more intensive corporate governance disclosure than the non-financial sector. In general, companies have been found to be more active in making financial disclosures rather than non-financial disclosures. Multiple regression result shows that corporate governance disclosure index is significantly influenced (at 5% level of significance) by local ownership, the SEC notification, and the size of the company. Belonging to financial or non-financial institution, age, multinational company, and size of the board of directors are not found to have any significant impact on corporate governance disclosure.

Bernard S. Black (2009) examined the corporate governance practices of Brazilian public companies to identify areas where their governance is relatively strong and weak. Many firms have small Boards, comprised entirely or almost entirely of insiders or representatives of the controlling family or group. Even some very large firms have no independent directors. Audit committees are uncommon, but many firms use a substitute body the fiscal board which does not require that the firm have independent directors to staff the audit committee. Financial disclosures are mixed. Some firms voluntarily provide English language disclosure, but many do not provide cash flow statements or consolidated quarterly financial statements. Brazilian corporate law often provides limited protection to minority shareholders, but the Brazilian Stock Exchange, Bovespa, provides optional governance rules which go beyond the legal minimum requirements. These optional rules have become increasingly popular with Brazilian firms. The ICGN Global Corporate Governance Principles (2009) developed by the ICGN Global Corporate Governance Principles Committee, assert standards of corporate governance that all companies should aspire and live up to high quality corporate governance standards. Companies will be better able to take the decisions which will protect and enhance value for their long-term shareholders. Boards with high standards of corporate governance will be better able to make robust strategic decisions, to challenge and promote the effectiveness of management's operational oversight of the business and to oversee the approach to risk management. This process enhances investor returns over time. The CFA Institute Centre for Financial Market Integrity (2010) Study includes a comparative analysis of the regulations and codes of corporate governance in Hong Kong, Singapore, India, and the Philippines. CFA believes that board composition and independence are fundamental issues in corporate governance, especially in Asia.

Concentrated ownership structures and weak legal protection in Asia increase the importance of independent non-executive directors on corporate boards. In Asia, companies commonly have controlling shareholders who have the ability to control the nomination and election of directors to the board. Investors should be wary in investing in these companies because so-called independent directors are often essentially figureheads, serving the controlling shareholder rather than representing all shareholders equally. Independent non-executive directors should have high ethical standards with the ability to act objectively on all board matters. Most importantly, they need to be independent not only from management but also from controlling shareholders because such independence is the best way to ensure that minority shareholders' rights are not expropriated. Given the importance of truly independent directors in Asia, this study examined ways to ensure that so-called independent directors are, in fact, independent.

2.3 Indian Literature review

The research works on the corporate governance in the Indian context is classified into following categories, firstly, the nature and emergence of corporate governance systems in India, second category of research work focuses on how the ownership structure or capital structure affects the corporate governance practices and enhances the performance of the firms. The third part discusses the role played by the institutional investors in enforcing the corporate governance practices in the Indian firms, fourth category focus on the relationship between the board characteristics and firm performance, fifth category papers focus on the executive compensation and last one is corporate governance disclosure practices and firm performance.

2.3.1 Emergence of corporate governance in India

Indian corporate governance problems also have their own uniqueness because of the business models and structures it had in the past. Varma (1997) argued that the problem of corporate governance in India is different from that of the Anglo Saxon system. The governance issue in the US or the UK is essentially that of disciplining the professional management who has ceased to be effectively accountable to the owners. But in India, the major corporate governance problem is the exploitation of minority shareholders by the dominant shareholders. The author argued the problem of corporate governance abuses by the dominant shareholder can be solved only by forces outside the firm. The author discussed the role of two such forces—the regulator and the capital market. Author concluded that in Indian system; the capital market is more capable of disciplining the majority shareholders than the regulators. The regulator cannot enforce corporate governance effectively as it involves micro management, but they can just facilitate the capital market forces to ensure corporate governance. Bhasa (2004) traces and analyzes the history of Indian business models from 19th century to the present. The author argues that the roots of the current problems of the corporate governance in India can be linked to the managing agency system' prevalent during the pre-independence period. The author analyses the characteristics of the managing agency model with help of Indian business houses who were able to retain control of the business enterprises without having a controlling stake. This resulted in serious corporate governance problem of having control rights disproportional to the voting rights. The Indian Companies Act 1956 abolished the managing agency mode and gave time till 1970 for the companies to do that. Hence, the Indian business families moved towards a new model called 'business house model' through which the families were able to retain the control with minority

stake even after the abolition of managing agencies. The paper also discusses about the developmental financial institutions set up in the government to facilitate the availability of capital for business and the role played by the nominee directors who are appointed by them. The author argued that the Indian business system is moving towards the Anglo-American model of corporate governance. The Anglo-American model gives importance to the shareholders over other stakeholders. The author made a detailed comparison of the business house model and the currently emerging Anglo-American model and questions the usefulness of the latter. The author tried to answer this question by examining the 'development impact' of the new model, as indicated by the measures such as growth, employment and respect for shareholder rights. The results suggested that Anglo-American model is not very effective in meeting the objectives of the social system in India. The author argued that the model has introduced volatility into the economy, both in terms of (corporate and macroeconomic) growth and employment and identifies that the most important contributor to this volatility was the key role that financial markets play in this model. The author concluded that while it is difficult to be optimistic about the potential development impact of the new model, it seems that India, like many other countries, is effectively stuck with it for at least the near future. Machold and Vasudevan (2004) investigated governance reforms in India in the 1990s. Their survey on ownership structures of Indian listed companies revealed a mixture of governance mechanisms and a persistence of the 'business house model' of governance even in nineties. They concluded that despite external pressures towards an 'Anglo-Americanization' of governance practice, the outcomes thus far reveal the emergence of a diversity of governance mechanisms arising in a path-dependent fashion. Khanna and Palepu (2004), using a case study method, analysed how the corporate governance practices

of an Indian firm (Infosys Technologies) is moving towards the global standards. They argued that this is a result of market interactions with developed economies, particularly USA. The influence is not only because of the capital market interaction which has been studied a lot in the literature but also because of the other market interactions namely, the product and the labor markets. Such influence on the individual firms has spillover effect on the rest of the Indian market also as those firms set bench marks for the expectations of the market participants in India. This in turn may result in a convergence of corporate governance practices with the best global standards over a period of time. Sudhalaxmi Vivek Rao (2006) elaborated the corporate governance mechanisms in the context of the legal framework in India. The Indian legal provisions related to corporate governance is analysed and the changes in such provisions is suggested to enable the Indian firms perform better in the new global environment. Rajesh Chakrabarti (2007) describes the Indian corporate governance system and examines how the system has both supported and held back India's ascent to the top ranks of the world's economies. While on paper the country's legal system provides some of the best investor protection in the world, the reality is different with slow, over-burdened courts and widespread corruption. Consequently, ownership remains highly concentrated and family business groups continue to be the dominant business model. There is significant pyramiding and tunneling among Indian business groups and, notwithstanding copious reporting requirements, widespread earnings management. However, most of India's corporate governance shortcomings are no worse than in other Asian countries, and its banking sector has one of the lowest proportions of non-performing assets, signifying that corporate fraud and tunneling are not out of control. The corporate governance scenario in the country has been changing fast over the past decade, particularly with the enactment

of Sarbanes-Oxley type measures and legal changes to improve the enforceability of creditor's rights. If this trend is maintained, India should have the quality of institutions necessary to sustain its impressive current growth rates.

2.3.2 Ownership/Capital Structure and Corporate Governance

Phani (2004) explored the discrepancy in insiders control and cash flow rights and their effect on the performance of the individual firm in the Indian context. The results indicated that the influence of insider ownership on the performance of the firm is sporadic in nature. This in turn suggests that any appropriation behavior is not an enduring phenomenon. Theoretically, given the weak regulatory and institutional framework combined with the discrepancy in the insider's control, cash flow rights appropriation should have been wide spread. But their analysis indicates otherwise, not only in onetime period but in all the four-time periods during which the regulatory and institutional mechanisms are considerably strengthened. The authors suggested that it could be because of the unique nature of the Indian ownership and governance structures. The business in India is dominated by the business families who rely on family members and community networks for the required financial support. In such scenario, any appropriation by the insiders would reflect on their reputation both within the family and the community network. This in turn would adversely affect the future financial support. On the other hand, it is possible to appropriate funds with impunity by undermining the state-owned financial institutions with active support from the political establishment and the bureaucracy as the regulatory and institutional framework is weak. This would facilitate the insiders to generate abnormal profits without affecting the accounting performance of the firm. The authors argued that few industries where insider ownership is associated with

performance can be seen as temporary aberrations and would disappear in a short-time span.

2.3.3 Institutional Investors and Corporate Governance

The third set of research works in the corporate governance focuses on the role of institutional investors in enforcing corporate governance practices in the firms where they have invested significantly. It has been well- established in the literature also that large investors are able to protect their investment better than the small investors because the former have the incentive and ability to invest in information and monitor agent's performance (Vishny, 1997). The movement gained importance in India also in the late 1990s. But whether this actually made the institutional investors more active or not is a debatable issue for the researchers in this field. Sarkar and Sarkar (2000) provided evidence on the role of large shareholders (read institutional investors) in monitoring company value in the Indian context. In line with the findings of many existing studies, this study also finds that block holdings by directors to increase company value after a certain level of holdings. But it did not find any evidence to indicate that the institutional investors, typically mutual funds, are active in governance. The results suggested that lending institutions start monitoring the firm effectively only after the equity holding cross substantial limit. Besides this, monitoring process is reinforced by the extent of debt holding by these institutions. The study further finds that foreign equity ownership has a beneficial effect on company value. Panchali (2002) examined the rationale for institutional investor activism in general and in the Indian capital market in particular. He discussed empirical evidences and provided the scope and modes of activism. These included interventions in the public and private domain, which may be in the form of

friendly political processes or hostile overtures—the latter being usually adopted as a last resort. The paper also discussed the factors influencing institutional investors' activism, like the free rider problem, conflict of interests and the agency problem. The paper described the existing framework and the experience in the Indian market and examined the recent initiatives in the field critically.

2.3.4 Board Characteristics and Firm performance

The most important internal corporate governance mechanism in any country is the board. The effectiveness of every other internal governance mechanism depends on the effectiveness of the board. The widely-studied board characteristic is the board size and proportion of independent directors. The results of such studies are mixed. Some research work suggested a positive association between the board size and firm performance. In Indian context the results are mixed. While some research works provided evidence that the larger boards improve performance till a threshold level, others argued that the larger boards are inefficient. Kathuria and Dash (1999) examined the association between board size and financial performance in India using data on 504 firms from 18 industries. The results pointed out that the performance improves if the board size increases, but the contribution of an additional board member decreases as the size of the corporation increases. The implication according to the authors is that the firms which already have bigger board do not gain much if an additional board member joins. Their results, however, fail to indicate any significant role of directors' equity ownership in influencing the performance. The authors caution that it could be because the sample which was selected. Al-Mudhaki and Joshi (2004) studied the audit committee (AC) of the boards in terms of composition, focus and functions. The authors also analyzed the effects of AC meetings and the

criteria used in the selection of members by the Indian listed firms. Based on the 73 responses received, it was found that only around half of the firms have established an AC in their board by 2003 despite the fact, that it was then mandatory. Of those firms, which have ACs, 68.3% have between three and six members on ACs. Almost all the firms have non-executive directors in the committees, only 14.6% of firms have Independent non-executive directors. The authors pointed out that this is indicating tack of independent representation on the committees. Their analyses suggest that the functions of audit committee are quite diverse and they are classifying them into three categories: financial statements and reporting, audit planning, and internal control and evaluation. Dwivedi and Jain (2005) found a positive but weak relationship between board, size and firm value. They investigated the relationship between corporate governance parameters and firm performance including the board size. The governance parameters used in the study include board size, directors' shareholding, institutional and foreign shareholding and the fragmentation in shareholding. A panel data of 340 large, listed Indian firms for the period 1997-2001 spread across 24 industry groups has been used. A simultaneous equation regression model was used with Tobin's Q, as study variable, a measure of firm performance. The regression controlled for industry effects and other non-governance variables. The results provided the evidence that industry effects and other non-government variables. The results provided the evidence that a higher proportion of foreign shareholding is associated with increase in market value of the firm, while the Indian institutional shareholders' association is not statistically significant. It was also found that directors' shareholding has a non-linear negative relationship with firm value, while the public shareholding has a linear negative association. Dhawan (2006), who have used a primary study to identify the role of the board of directors in the corporate

governance practices of the large listed firms of India, analysed the impact of some of the company-specific financial and non-financial variables and respondent-related parameters on various issues. The study is based on the primary data collected from 89 large listed firms in India with the help of a personally administered structured questionnaire. It is found that the size of the board increases with the turnover but only up to a certain level, beyond which the increasing turnover does not have my influence. The author found that effective integration of the skills and knowledge-base at the board is more important than the size. Further, no need is felt to have informal meeting of the Board. But it is very important to finalise the agenda to have effective board meetings. It was also found that core competencies required for the directors are strategic thinking and leadership qualities besides honesty and integrity. There are certain other studies which argue in favor of a smaller board to improve the performance of the firm. Ghosh (2006) empirically studied the relationship between financial performance and board parameters of Indian non-financial firms. The data used were that of 127 listed manufacturing firms for the financial year 2003. The findings indicated that, after controlling for various firm-specific factors, larger boards tend to have a negative influence on firm performance, judged in terms of either accounting or market-based measures of performance. The analysis also suggests that compensation of the Chief Executive Officer (CEO) has a significant effect on the firm performance. The presence of independent directors in corporate boards is considered to be an effective mechanism to reduce the potential divergence between firm management and shareholders. In fact the research works suggest that the expectation of effective monitoring by independent directors from the investors and regulators is going up. Prasanna (2006) empirically established this professional belief in board independence. The factor analysis suggests that the independent

directors bring brand credibility and better governance, contribute to effective board functioning, and lead the governance committees effectively. Further, this study corroborates two major recommendations of the Irani Committee that only one-third of the board should be independent, and nominees should not be taken as independent directors. The paper highlights the need for a formal process of the appointment of independent director and periodic evaluation. The effective board size of firm performance has been analyzed specifically in some selective industries also. Mayur and Saravanan (2006) studied the relationship between three board parameters and performance of banks in Indian. The board related parameters that are used in the study are board size, board composition and events. Board size is defined as the number of directors in the board; board composition is defined as the proportion of representation of non-executive directors on the board. An event is defined as the average board meetings in a year. The study, in its regression analyses controlled for the factors which are already proved to be affecting the firm performance such as size, bank's age and leverage. The results of the study indicated that bank value is not affected by the board size. Narasimhan and Jaiswall (2007) studied the role of remuneration committee in the pay-setting process under different ownership structures. The empirical analysis highlights the vital role played by the remuneration committee in the pay-setting process in firms, where family members do not hold the top management position. In such firms, this pay-setting process has a positive impact on the firm performance. In family-owned and controlled firms, the remuneration committee has a limited role to play on both, pay-setting process and impacting performance through top management pay. The authors concluded that the remuneration committee plays an important role in mitigating agency problem, which is expected to be high when family ownership is low or non-family members hold key

positions. Code of conduct is one of the internal governance mechanism used by the boards of the firms to ensure to institutionalize ethical behavior. Having a code of conduct for the top management has been made mandatory for listed Indian firms by the new clause 49 of the listing agreement from the financial year 2006. Even before that quite good number Indian firms had a code of conduct in place for their top managers. Elankumaran (2006) empirically analysed code of conduct adopted by the Indian firms. Through a survey method, the author collected information about how many corporations have codes of conduct, whether common ethical issues/themes exist among them, whether they have proper 'ethics management systems' in place; and whether codes of conduct reflect any distinctive national character.

2.3.5 Executive Compensation

Ramaswamy et al. (2000), studied the relationship of the study variable CEO remuneration with firm performance and corporate governance variables using a sample of the top 150 Indian firms. Their study found that firm performance was a significant explanatory variable in explaining CEO compensation. But the family-ownership of a firm is found to be negatively related to CEO pay. The authors suggested that this relationship could be because family ownership and management significantly reduces the divergence of interests between managers and shareholders. Their study further revealed that CEO-Chairman duality and the proportion of insider directors has no relation to executive compensation in family owned firms. But these factors become key variables in explaining compensation in non-family owned firms. Ghosh (2006) empirically examined the effect of corporate governance, firm performance, and corporate diversification on the compensation paid to the board members and CFO and its components, in the Indian context- The data for 462 firms

for 1997-2002 in the Indian manufacturing sector have been used in the empirical work. As per the findings of the study the compensation paid to the board members to a greater extent depends on current- and past- year performance and diversification of the firm. But the compensation paid to the CEO depends on the current-year firm performance only. The paper also found that the in-firm experience of the CEO is also an important factor in determining his compensation. Parthasarathy et al. (2006) studied the determinants of executive compensation using a linear regression model. They analyzed the relationship between firm performance, corporate governance and managerial compensation for Indian firms. It is found that the CEO compensation is not related to any of the profitability measures. On the other hand, the firm size is a significant determinant of CEO compensation. The results also suggested that CEOs who are the promoters of their firms receive significantly more compensation than their ordinary counterparts. In addition, this study also indicated that CEOs of PSUs are significantly underpaid, when compared to their counterparts in private sector.

2.3.6 Corporate governance Disclosure practices

Tarun Khanna, Krishna Palepu & Suraj Srinivasan (2003) analysed disclosure practices of companies as a function of their interaction with the U.S. markets for a group of 794 firms from 24 countries in Asia-Pacific and Europe using the transparency and disclosure scores developed recently by Standard & Poor's. These scores rate the disclosure of companies from around the world using U.S. disclosure practices as an implicit benchmark. Finding show a positive association between these disclosure scores and a variety of market interaction measures, including US Listing, US investment flows, export to and operations in the US. Trade with US, however, has an insignificant relationship with the disclosure scores. There empirical analysis controls for the previously documented association between disclosure and firm size,

performance, and country legal origin. Results are broadly consistent with the hypothesis that cross-border economic interactions are associated with similarities in disclosure and governance practices. Kirit Somaiya (2005) studied the scientific management of small investor protection in the new millennium with reference to India; challenges and opportunities (1991-2011) wherein he studied the different problems faced by the small investor in financial market. He says small investor's grievance is not attended in Indian financial markets and regulations are only on paper. To overcome this problem he has suggested scientific ways of investments for small investors, he further add that investor must be organized and more awareness programmes be organised by different regulatory authorities. Madan Lal Bhasin (2009) analysed the corporate governance disclosure practices in India using the secondary sources of information, both from the Report on corporate governance and the Annual Report of Reliance Industries Limited (RIL) for the financial year 2008-2009. Researcher has developed his own model as a 'working' method in order to ascertain how far this company is compliant of CG standards, a 'point-value-system' has been applied which shown 'very good' performance, with an overall score of 85 points and conclude that RIL group is in the forefront of implementation of "best CG practices in India. Bernard S. Black (2007) studied the India's adoption of major governance reforms (Clause 49) and conducted event study of corporate governance reforms that affect all firms in a country. Share price changes may reflect the reforms, but could also reflect other information. Author addresses this identification issue by studying India's adoption of major governance reforms (Clause 49). Clause 49 requires, among other things, Audit Committees, a minimum number of independent directors, and CEO/CFO certification of financial statements and internal controls. The reforms were sponsored by the Confederation of Indian Industry, applied initially to larger firms, and reached smaller public firms only after a several-year lag. The difference in effective dates offers natural experiments. Large firms are the treatment

group for the reforms. Small firms provide a control group for other news affecting India generally. The May 1999 announcement by Indian securities regulators of plans to adopt what became Clause 49 is accompanied by a 4% increase in the price of large firms over a two-day event window (the announcement date plus the next trading day), relative to smaller public firms; the difference grows to 7% over a five-day event window and 10% over a two-week window. Mid-sized firms had an intermediate reaction. Faster growing firms gained more than other firms, consistent with firms that need external equity capital benefiting more from governance rules. Cross-listed firms gained more than other firms, suggesting that local regulation can sometimes complement, rather than substitute for, the benefits of cross-listing. The positive reaction of large Indian firms contrasts with the mixed reaction to the Sarbanes-Oxley Act, suggesting that the value of mandatory governance rules may depend on a country's prior institutional environment.

The review of literature shows that corporate governance is indeed becoming a serious research area in India. And there are plenty of research gaps available. For example, the questions like how far the separation of the roles of CEO and Chairman helps the firm's performance, effectiveness of various committees of the board, investor protection and compliance of corporate governance disclosure practices as mandated in clause 49 of listing agreement need to be studied.

There is need to see the compliance of corporate governance disclosure practices of listed companies in India after implementation of clause 49 of listing agreement and how far SEBI is successful in implementing the of mandatory and non mandatory requirements of clause 49. Present study is an attempt to analysis the compliance of corporate governance disclosure practices of Indian listed companies based on market capitalisaion of the companies from the point of view of small (retail) investors.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

Corporate governance has gained considerable prominence and widely discussed issue over the last 5 years in India especially due to recent corporate scams like of Global Trust Bank and Satyam computers ltd. in which promoters of the company duped the investors by appropriation in the company. These scams have eroded the capital investment of minority shareholders specifically retail investors and most of them lost their investment due to lack of awareness on the management and promoters of the company. Since these scams are now regular features in capital market it is time now regulator (SEBI) has to act in imposition of more regulations on corporate governance front to bring more transparency and also should check compliance of mandatory corporate governance practices on regular basis to protect the interest of investor class.

Present study is an attempt to see how far listed companies are compliant with mandatory and non – mandatory clause 49 listing agreement and whether company attributes such as size of the company, industry sector, age of the company, promoters shareholding in the company, financial institutions shareholding in the company, and percentage of independent directors on the board of the company have any influence on the mandatory and non- mandatory corporate disclosure practices of the Company. Similarly attempt was also made with the help of primary survey to find out retail investors awareness on corporate governance disclosure practices.

Investors over the years have realised that only transparency in governance can keep check and reduce the misappropriation and frauds in the company. Hence

there is need of more and more transparency in governance of the corporate to safeguard the interest of various stakeholders.

3.2 Objectives of the study

The overall objective of the study is to analyse the corporate governance disclosure practices followed by different strata of corporate such as the large, medium and small capitalisation listed companies in Indian securities market for the period of 2006-07 to 2008-09.

The specific objectives of the study are as follows:

1. To study the corporate governance disclosure practices (mandatory and non-mandatory) followed by selected Large Cap, Mid Cap and Small Cap listed companies in Indian securities market.
2. To analyze the influence of different company attributes (such as size, industry sector, age, percentage of promoters shareholding, percentage of financial institutions shareholding and number of independent directors on the board of the Company) on the mandatory and non – mandatory corporate governance disclosure practices of the company.
3. To identify the retail / small investor's perception and awareness on corporate governance disclosure practices.

3.3 Scope of the study

Mandatory and non-mandatory corporate governance disclosure practices of selected 30 large, 30 mid and 30 small cap companies listed on Bombay Stock Exchange of India for financial years 2006-07 to 2008-09 are studied and secondly the influence of company attributes such as size of the company, industry sector, age

of the company, financial institutions shareholding in the company, promoters shareholding in the company and number of independent directors on the board of the company, on mandatory and non –mandatory corporate governance disclosure practices is analysed and primary survey on retail investor is conducted in the State of Goa to identify their awareness on listed companies corporate governance disclosure practices.

3.4 Need and significance of study

Most of the corporate houses in India were started as private companies initially and then converted into the public company by giving small portion promoter equity to the public by way of initial public offers (IPO). Public ownership in Indian listed companies is very low, there are more than 5000 listed companies in Indian capital markets which are actively traded on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) and as per NSE fact book (2010), on an average, promoters holds 57.83% percent of the shares in the listed companies. Out of 42.17 non promoters shareholdings in the company Indian public (retail investors) hold only 15.57 % shares. Since retail investors' shareholding in listed companies is very low and dispersed over a large number of individual investors, who are dispersed across different parts of the country and these retail investors' normally don't attend annual general meeting of the company, especially due to distance, have no say in the management of the company. Since promoters holds more than 50 percent stake in the company they dominate the board in decision making process and control the company. In such a situation transparency in governance of company by way of mandatory corporate governance disclosure practices is the only safety tool in the

hands of retail investors which can protect their interest from the dominance of promoters of the company.

The only source of information on corporate governance practices available to the shareholders is the corporate governance report of the company which is published in annual report of the company at the end of the year. And transparency, quality of information and quantity of information disclosed in corporate governance report is very important for the investor to take informed decision on his investment. Keeping this in mind and to safeguard the interest of various stake holders specially the of small investors SEBI has mandated corporate governance disclosure practices (clause 49 of listing agreement) for the all listed companies irrespective of size from 1st January 2006 and prior to that it was applicable only to large companies .

To protect the interest of retail investors there is need of enhancing transparency and disclosure in governance practices of the company. In this study an attempt is made to see whether all mandatory and non mandatory corporate governance practices are followed by listed companies irrespective of its size, so that investors get maximum information about their invested company and investors can decide on which category of companies are safe for them. Secondly, it is also important to know the company attributes such as size of the company industry sector, age of the company, promoters shareholding in the company, financial institutions shareholding in the company and number of independent director on the board of the company have any influence on the company disclosure practices so that these can work as guidelines for investors to make investments.

Retail investor face lot of problems from invested company on account of non receipt of copy of annual report, dividend warrant, bonus shares, rights issue and share transfer due to non compliance by company and investor safety is at stake. For

that matter investor awareness on various aspects of corporate governance is very important for safety of retail investors. An attempt is made to understand the retail investors' problems and awareness on corporate governance on disclosure practices.

3.5 Hypothesis

In order to study the corporate governance disclosure practices of listed companies and various aspects of governance related to investor safety following null and alternate hypotheses are tested.

Hypothesis One - There is no significant difference in corporate governance disclosure practices between large and mid cap, large and small cap and mid and small cap companies.

Alternate hypothesis - There is a significant difference in corporate governance disclosure practices between large and mid cap, large and small cap and mid and small cap companies.

Hypothesis Two- There is no significant association between the company attributes (such as size, industry sector, age, percentage of promoters shareholding, percentage of financial institution shareholding and number of independent directors on the board of the company) and mandatory and non- mandatory corporate governance disclosure practices.

Alternate hypothesis - There is a significant association between the company attributives (such as size, industry sector, age, percentage of promoters shareholding, percentage of financial institution shareholding and number of independent directors

on board of the company) and mandatory and non- mandatory corporate governance disclosure practices.

Hypothesis Three – There is no significant difference in investor perception on corporate governance disclosure practices of large, mid and small cap companies.

Alternate hypothesis - There is no significant difference in investor perception on corporate governance disclosure practices of large, mid and small cap companies..

Hypothesis Four - Retail investors are not aware about various aspects of corporate governance practices.

Alternate hypothesis - Retail investors are aware about various aspects of corporate governance practices.

3.6 Research Methodology

The study used both primary as well as secondary source of data for exploring the objectives. Study concerned with corporate governance disclosure practices of the selected large, mid and small capitalisation, listed companies in India and revolves around the clause 49 of listing agreement. The study used stratified sampling technique to understand the corporate governance followed by various section of Indian corporate. The listed companies are stratified into three categories namely large, mid and small based on the market capitalisation. As per Bombay Stock Exchange, companies with market capitalisation of more than rupees 5000 crores are classified as large companies, in case of mid size, companies with market capitalisation of rupees 1,500 crores to rupees 5,000 crores are classified as mid cap companies and companies with market capitalisation less than rupees 1,500 crores are

categorized as small cap companies. Selected companies are part of index constituent as at 31st march 2009. In case of large cap all thirty companies' are part of BSE Index 'SENSEX' are taken. In case of mid cap, thirty companies from BSE mid cap index, which constitute 277 companies, are selected by systematic random sampling. Similarly thirty small cap companies are selected from BSE small cap index which constitute 488 companies are selected by systematic random sampling.

Data on corporate governance disclosure practices of listed companies is collected from the annual corporate governance reports which are part of annual reports of the companies for three financial years namely 2006-07, 2007-08 and 2008-09. Annual reports of the company were downloaded from the respective website of the company and some cases annul reports were sourced form company by asking companies to send hard copies of report. Data on company attributes such as promoters shareholding, financial institution shareholding and age of the company is sourced from the CAPITALINE database.

Seventeen items of mandatory and non - mandatory disclosure practices related to board of directors and its composition, various committees of the board and investor's relations are studied and statistical test One–Way ANOVA is used to see whether any significant difference exists in disclosure practices based on size of the companies. Secondly influence of six company attributes, such as size of the Company, industry sector, age of the company, promoters shareholding in the company, financial institutions shareholding in the company and number of independent directors on the board of the company on mandatory and non- mandatory corporate governance disclosure practices is tested. To measure disclosure practices an index of 64 mandatory items and 7 non- mandatory items is developed. Mandatory

and non mandatory corporate governance disclosure index is calculated by using weighted scoring method, as used by Bhuiyan and Biswas (2007) and Pahuuja (2010)

$$CGDI = \frac{Total\ Score\ of\ the\ individual\ Company}{Maximum\ possible\ score\ obtainable\ by\ company} \times 100$$

To provide evidence on the impact if any of size of company and industry sector on mandatory and non- mandatory disclosure practices statistical technique One –way ANOVA is used. And to study the other variables such as Promoters shareholding in the company, financial institution shareholding in company, age of the company and number of independent directors on the board and its influence on mandatory and non- mandatory disclosure practices simple and multiple linear regression models are used.

Multiple regression models

MCGDI = C + β1AGEt + β2PSHCt + β3FISHt + β4NIDBt + et

NMCGDI = C + β1AGEt + β2PSHCt + β3FISHt + β4NIDBt + et

Table 3.1 explains the operational meaning of variable used

Table 3.1: Operational meaning of the variables

Variable	Acronym	Description
Depended Variable		
Mandatory Corporate Governance disclosure index	MCGDI	Total mandatory corporate governance disclosure score obtained (out of 64 items) by the company divided by the maximum score obtainable by the company multiplied by 100
Non – Mandatory corporate governance Index	NMCGDI	Total Non - mandatory corporate governance disclosure score obtained (out of 07 items) by the company divided by the maximum score obtainable by the company multiplied by 100
Independent Variables		
Size of the company	SIZE	Measured based on market capitalisation of the company
Industry sector	INDSEC	Industry sector of the company
Promoters shareholding in company	PSHC	Percentage of promoters shareholding in the company of the total share capital
Financial institutions shareholding in the company	FISHC	Percentage of financial institutions shareholding in the company to the total share capital
Age of the company	AC	Years of operation in the market
Independent directors on the board of the company	IDBC	Number of Independent directors on the Board of the company

To identify the investor's perception and awareness on corporate governance disclosure practices followed by large, mid and small cap companies data is collected from the small investors from state of Goa. Identifying and collecting data on all the small investors was not possible; hence data is collected by representative sample through leading broking firms from 4 major cities of Goa. Non - probability sampling, Snowball technique is used wherein respondents are identified through

referral network. Analyses of data on retail investors' perception and satisfaction level base on size of the company, non-parametric statistical technique Chi-square test, Kruskal-Wallis H test is used to find significance difference between three categories of the companies.

3.7 Structure of the Thesis

The whole thesis is provided in six chapters. The structure of the theses is as follows. The first chapter introduces the conceptual framework of corporate governance. Second chapter systematically reviews factors influencing corporate governance practices followed in India and abroad and identified various factors influencing corporate governance practices. The methodology adopted to explore the objectives is outlined in chapter number three.

Chapter four forms the core of the study and divided in to three parts namely corporate governance disclosure practices, company attributes and its influence on corporate governance disclosure practices and investor perception and awareness on corporate governance disclosure practices. Part one deals with corporate governance disclosure practices of selected companies and its analysis with the help of ANOVA to find out the significant difference between large, mid and small cap companies in corporate governance disclosure practices. In second part an attempt is made to see the influence of company attributes such as size of the company, Industry sector, age of the company, promoter's shareholding in the company, financial institutions shareholding in the company, and number of Independent directors on the board of the company and its influence on the mandatory and non- mandatory corporate governance disclosure practices of the company. Third part deals investors perception

and awareness on corporate governance disclosure practices which is based on the primary data.

Chapter five, attempt is made to identity the corporate governance disclosure practices followed in developed and emerging market and for that analysis of Code of corporate governance followed in United State and China is studied to compare it with India Code of corporate governance.

Chapter six, deals with conclusion and suggestions based on the finding of the study.

3.8 Limitations of the Study

Study of corporate governance disclosure practices is based on selected 90 companies, 30 each from large, mid and small cap companies listed on Bombay Stock Exchange and it is concerned with only the quantitative aspect of corporate governance disclosure practices reported in corporate governance report of the company. Secondly the primary study, data collection is restricted only to the investors residing in the state of Goa.

CHAPTER IV

DATA ANALYSIS AND RESULTS

4.1 Introduction

This chapter is divided into three parts. First part deals with study of corporate governance disclosure practices followed by the selected large, mid and small cap companies to see any significant difference in disclosure practices between these companies based on size of the companies. In second part association between various companies attributes such as size of the company, industry sector, age of the company, promoters shareholding in the company, financial institutions shareholding in the company and number of independent directors on the company board and its influence on mandatory and non- mandatory corporate governance disclosure practices is tested. And in third part small investor's perception on corporate governance practices based on size of companies and awareness on corporate governance and disclosure practices is reported with the help of primary survey.

4.2 Corporate Governance disclosure practices of selected companies

As per clause 49 of listing agreement (Corporate Governance) of Securities Exchange Board of India all the listed companies in Indian have to follow mandatory corporate governance guidelines with effect from 1st April 2006 irrespective of size of the company. Accordingly all the listed companies have to follow mandatory corporate governance guidelines and prepare report on corporate governance and publish in annual report of the company and send it to the shareholders. Extent of mandatory and non - mandatory corporate governance disclosure practices followed and disclosed in corporate governance report section of annual report of the selected

companies based on market capitalisation of the company are analysed to see whether there is significant difference if any in disclosure practices between large, mid and small cap companies over a period of three financial year 2006-07 to 2008-09 have been studied. Data have been collected by way of content analysis of corporate governance report published in annual reports of the company based on large, mid and small cap companies listed Bombay Stock Exchange. In case of large cap companies 30 companies are taken form BSE SENSEX index, which is benchmark index of large cap blue chip companies in India. In case of mid cap, companies are selected from BSE mid cap index and small cap companies are selected from BSE small cap index. Selected companies are from varied sectors of industry more dominate among the sector are companies from diversified sector, information technology and finance sectors. The basic hypothesis tested here is

H1-- There is no significant difference in corporate governance disclosure practices between the large and mid cap, large and small cap and mid and small cap companies.

Alternate hypothesis

H2 -- There is a significance difference in corporate governance disclosure practices between the large and mid cap, large and small cap and mid and small cap companies.

4.2.1 Disclosure practices variables

Composition of board of directors such as, number of executive directors, number of non- executive directors, number of independent directors on the board, board procedure, composition of various committees of the board and number of meetings of the board committees are very important aspect of corporate governance in listed companies to protect the interest of the shareholders in the company. To study the corporate governance disclosure practices followed and disclosed by large,

mid and small cap listed companies in Indian capital market; data on following variables is collected for three financial years (2006-07, 2007-08 & 2008-09).

A. Board of Directors

1. Separation of post of the Chairman and the Chief Executive Officer
2. Total number of directors on the board of the company
3. Number of executive directors on the board of the company
4. Total number of non- executive directors on the board of the company
5. Number of independent directors on the board of the company

B. Composition of directors on various committees of the board

6. Number of directors on the audit committee
7. Percentage of independent directors on audit committee
8. Chairman of shareholders grievance committee is executive / non- executive / independent
9. Number of directors on shareholders grievance committee
10. Percentage of independent directors on shareholder's grievance committee

C. Board of directors and committee meetings

11. Number of board meetings held during the year
12. Number of audit committee meetings held during the year
13. Number of shareholder's grievance committee meetings held during the year

D. Number of complaints

14. Number of complaints received by shareholder's grievance committee
15. Number of complaints solved by shareholder's grievance committee
16. Number of complaints unsolved by shareholder's grievance committee

E. Other

17. Number of additional board committees exists in the company

4.2.2 Separation of post of Chairman and CEO in the company

Separation of chairman and chief executive officer is considered as one of the best practice for investor protection especially for small investors. Fama (1980). Feels separation of ownership and control can be explained as a result of "efficient form of economic organization". Clause 49 of listing agreement mandate that if company has executive chairman than company should have at least 50 percent of the members of the board as an independent directors and if chairman is non executive than relaxation is given and in that case company can have only one-third independent directors on the board. In India all most all companies belong to Tata group have followed the practice of separation of position of chairman and chief executive officer and all group companies have chairman as non executive director.

Table 4.1 : Descriptive Statistics of Chairman Executive / Non Executive in the Company

Company Size	Year	Chairman	Frequency	Percentage
Large	2006-07	Executive	15	50.0
		Non- executive	13	43.3
		Missing	02	6.7
		total	30	100
	2007-08	Executive	15	50.0
		Non- executive	14	46.7
		Missing	01	3.3
		total	30	100
	2008-09	Executive	14	46.7
		Non- executive	16	53.3
		total	30	100.0
Mid	06-07	Executive	14	46.7
		Non- executive	15	50.0
		Missing	01	3.3
		total	30	100
	2007-08	Executive	17	56.7
		Non- executive	13	43.3
		total	30	100
	2008-09	Executive	17	56.7
		Non- executive	13	43.3
		total	30	100.0
Small	2006-07	Executive	13	43.3
		Non- executive	14	46.7
		Missing	03	10
		total	30	100
	2007-08	Executive	15	50.0
		Non- executive	15	50.0
		Total	30	100.0
	2008-09	Executive	14	46.7
		Non- executive	16	53.3
		total	30	100.0

(Source: Researcher's compilation)

It is observed from the data that in case of large cap companies in the year 2006-07 only 43 percent of the company had separated the post of chairman and CEO and it has improved over the period of three years, separation of post was done by 47

percent of the companies in 2007-08 and it has touched 53 percent in the year 2008-09 which shows the improvement of good governance practices in case of large cap companies.

In case of mid cap companies' data shows that there is decline in percentage of non executive directors over a period of three years. In the year 2006-07, 50 percent of the companies had non – executive chairman but it has gone down in the year 2007-08 and 2008-09 by 7 percent which is not a healthy sign of governance practices.

In case of small cap companies data shows improvement in separation of chairman and CEO over the period of three years. In the first years 43 percent of the companies had non executive chairman and it has improved and gone up to 50 percent in the 2nd year and in the third year it has gone to 53 percent which is very positive sign of better corporate governance practice of small cap companies. Overall it shows that more number of companies are going for separation of Chairman and CEO in case of small cap companies over mid cap companies.

4.2.3 Number of Directors on the Board

Boards of directors are the custodian of wealth of shareholders. Fama & Jensen (1983) view the board as "the apex of internal decision control systems of organizations." There is the view that larger the board the better control and better corporate performance because they have wide range of expertise in decision making and even difficult for CEO to dominate. In India as per clause 49 of listing agreement we have 3 categories of composition on the board of company such as executive directors, non- executive directors and independent directors. In this study attempt is made to see if there is significance difference in the compositions of total number of

directors, total number of executive directors, and total number of independent directors on the board of the company in comparison with the size of the company.

H1 – There is no significant difference in composition of different categories of directors on board of companies based on size of the company.

Table 4.2 shows the comparative composition of number of directors on the board of the company based size of the company. It can be observed from the table that mean number of directors on the board of large cap companies are twelve and that is constant over a period of three years . Where as in case of mid cap companies it is 9 and small cap it is 8 which is also constant over a period of three years.

Table 4.2 : Descriptive statistic of number of directors on the board

Year	Company size	N	Mean	Std. Dev.	Min	Max
2006-07	Large	28	12.11	3.614	4	20
	Mid	29	9.21	2.596	6	16
	Small	29	8.31	2.222	4	14
2007-08	Large	29	12.31	3.230	5	20
	Mid	30	8.90	2.354	5	15
	Small	30	8.43	2.192	4	14
2008-09	Large	30	12.37	3.243	5	18
	Mid	30	9.37	2.539	6	15
	Small	30	8.43	2.269	4	14

(Source: Researcher's compilation)

Table 4.3 : ANOVA Results of composition of number directors on the board based on size of the company

Years	Size of the company	Size of the company	Mean Dif.	Std. Error	Sig.
2006-07	Large	Mid	2.900*	0.758	0.001
	Large	Small	3.797*	0.758	0.000
	Mid	Small	0.897	0.751	0.709
2007-08	Large	Mid	3.410*	0.683	0.000
	Large	Small	3.877*	0.683	0.000
	Mid	Small	0.467	0.678	1.000
2008-09	Large	Mid	3.000*	0.701	0.000
	Large	Small	3.933*	0.701	0.000
	Mid	Small	0.933	0.701	0.560

(Source: Researcher's compilation)) (* significant at 5 percent level)

Analyses of results with regard to composition of directors based on size of the company, shows that there is significant difference in composition of directors (total number of directors) in the company, in case of large and mid cap companies and large and small cap companies over a period of three years but in case of mid and small cap companies there is no significant difference in the composition of number of directors over the period three years. Finding shows that size of the company does make difference for number of directors on the board of the company.

Hypotheses 1 is rejected in case of large cap and mid cap companies and large cap and small cap companies and is accepted in case of mid cap and small cap companies.

4.2.4 Executive Directors

Table 4.4 : Descriptive statistics of number of executive directors across the different size of companies.

Year	Company size	N	Mean	Std. Dev.	Min	Max
2006-07	Large	28	3.68	2.091	0	7
	Mid	29	2.76	1.504	1	6
	Small	29	2.28	1.601	1	7
2007-08	Large	29	3.83	2.205	0	10
	Mid	30	2.57	1.569	1	8
	Small	30	2.47	1.548	1	7
2008-09	Large	30	3.70	2.152	0	8
	Mid	30	2.63	1.245	1	5
	Small	30	2.27	1.461	1	6

(Source: Researcher's compilation)

Descriptive statistics of number of executive directors shows that there are on average four executive directors on the board in case of large cap companies and in case of mid cap and small cap companies it is three. And in case of large cap companies some are without executive directors.

Table 4.5 : ANOVA Results of composition of number of executive directors on the board of the companies.

Year	Company Size	Company size	Mean Dif.	Std. Error	Sig.
2006-07	Large	Mid	0.920	0.463	0.150
	Large	Small	1.403*	0.463	0.010
	Mid	Small	0.483	0.459	0.887
2007-08	Large	Mid	1.261*	0.467	0.025
	Large	Small	1.361*	0.467	0.014
	Mid	Small	0.100	0.463	1.000
2008-09	Large	Mid	1.067*	0.430	0.045
	Large	Small	1.433*	0.430	0.004
	Mid	Small	0.367	0.430	1.000

(Source: Researcher's compilation) (* significant at 5 percent level)

In case of executive directors and its composition on board of the company based on size of the company findings shows mix results. In financial year 2006 -07 there is no significant difference between large and mid companies and large and small cap companies but there is significant difference between mid and small cap companies. In the year 2007-08 and 2008-09 there is a significant difference between large and mid cap companies and large and small cap companies whereas there is no significant difference between mid and small cap companies.

4.2.5 Non Executive Directors

Descriptive statistics of non- executive directors on the board of the company shows that on an average there are 8 non executive directors on the board of large cap companies and numbers have increased over the three year period. In case of mid cap and small cap companies' number of non executive directors is 6 and that is almost same over the three years.

Table 4.6 : Descriptive statistics of number of non executive directors on the board of the companies

Year	Company size	N	Mean	Std. Dev.	Min	Max
2006-07	Large	28	8.39	2.780	4	16
	Mid	29	6.52	2.309	3	12
	Small	29	6.03	2.009	3	11
2007-08	Large	29	8.48	2.324	4	12
	Mid	30	6.33	1.845	3	11
	Small	30	5.97	2.042	3	11
2008-09	Large	30	8.67	2.324	4	14
	Mid	30	6.77	2.176	3	11
	Small	30	5.97	2.025	3	11

(Source: Researcher's compilation)

Table 4.7 : ANOVA Results of number of non- executive directors on the board of the companies over three years

Years	Company size	Company size	Mean Dif.	Std. Error	Sig.
2006-07	Large	Mid	1.876*	0.631	0.012
	Large	Small	2.358*	0.631	0.001
	Mid	Small	0.483	0.626	1.000
2007-08	Large	Mid	2.149*	0.541	0.000
	Large	Small	2.516*	0.541	0.000
	Mid	Small	0.367	0.536	1.000
2008-09	Large	Mid	1.900*	0.563	0.003
	Large	Small	2.700*	0.563	0.000
	Mid	Small	0.800	0.563	0.476

(Source: Researcher's compilation) (* significant at 5 percent level)

In case of number of non executive directors composition across the different size of the companies for three years data, the results shows that there is a significance difference in composition of non- executive directors between large and mid cap and large and small cap companies for all the three years but there is no significance difference in composition of non- executive directors between mid and small cap companies for all the years..

4.2.6 Independent Directors

Clause 49 of listing agreement mandates that every company should have independent directors on the board. If chairman of the board is executive than requirement of independent directors is 50 percent of the total size and if chairman is non executive than number of independent director's requirement is only one- third of the total number of directors. Number of independent directors on the board of the company is very important to protect the interest of small investors from the dominance of promoters of the company. Data on independent directors shows that average number of independent directors in case large cap is 7 where as it is around 5 and 4 in case of mid and small cap companies.

Table 4.8 : Descriptive statistics of number of independent directors on the board of the company for three years

Year	Company size	N	Mean	Std. Dev.	Min	Max
2006-07	Large	28	6.54	2.472	3	11
	Mid	29	4.86	1.807	2	9
	Small	29	4.17	1.256	2	7
2007-08	Large	28	6.54	2.151	4	11
	Mid	30	4.77	1.675	2	9
	Small	30	4.40	1.380	2	8
2008-09	Large	30	6.83	2.102	3	11
	Mid	30	5.30	1.985	2	9
	Small	30	4.33	1.269	2	7

(Source: Researcher's compilation)

Table 4.9 : Analysis of results of composition of independent directors across the size of the company over three years

Year	Company Size	Company size	Mean Dif.	Std. Error	Sig.
2006-07	Large	Mid	1.674*	0.504	0.004
	Large	Small	2.363*	0.504	0.000
	Mid	Small	.690	0.500	0.514
2007-08	Large	Mid	1.769*	0.461	0.001
	Large	Small	2.136*	0.461	0.000
	Mid	Small	.367	0.453	1.000
2008-09	Large	Mid	1.533*	0.471	0.005
	Large	Small	2.500*	0.471	0.000
	Mid	Small	.967	0.471	0.129

(Source: Researcher's compilation) (* significant at 5 percent level)

Composition of independent directors across different size of the companies over the three years data shows that there is significance difference in composition of independent directors between large and mid cap and large and small cap companies but in case of mid and small cap companies there is no significance difference is composition over the all three years.

4.2.7. Audit Committee

As per clause 49 of listing agreement, which is applicable to all the listed companies irrespective of size of the company from 1st April 2006 mandate that every company should have audit committee to oversee the financial accounts on quarterly basis and every company audit committee should have two – third independent directors on the audit committee . All the selected companies have complied with this requirement and many companies have audit committee with all independent directors and secondly in all the companies irrespective of the size of the

company 80 percent of the directors are independent and percentage is improved over a period of three years.

Table 4.10 : Descriptive statistics of composition of directors in audit committee and percentage of independent directors in the audit committee for period of three years.

Year	Company size	N	Mean	Std. Dev.	Min	Max
Number of directors on audit committee						
2006-07	Large	28	4.07	1.359	3	9
	Mid	29	3.66	0.814	3	6
	Small	29	3.55	0.686	3	5
2007-08	Large	29	3.97	1.052	3	6
	Mid	30	3.57	0.728	3	6
	Small	30	3.63	0.765	3	6
2008-09	Large	30	4.00	1.050	3	7
	Mid	30	3.63	0.850	3	6
	Small	30	3.63	0.669	3	5
Percentage of independent directors on audit committee						
2006-07	Large	27	89.69	14.007	67	100
	Mid	29	84.56	17.158	33	100
	Small	29	79.86	16.828	33	100
2007-08	Large	29	90.77	13.370	67	100
	Mid	30	81.55	14.748	66	100
	Small	30	83.47	14.200	67	100
2008-09	Large	30	91.35	12.695	67	100
	Mid	30	82.68	14.830	67	100
	Small	30	82.05	13.575	67	100

(Source: Researcher's compilation)

Table 4.11 : ANOVA Results of composition of number of directors on audit committee and percentage of independent directors on Audit Committee for three years

Year	Company Size	Company Size	Mean Diff.	Std. Error	Sig.
Number of directors on audit committee					
2006-07	Large	Mid	0.416	0.263	0.258
	Large	Small	0.520	0.263	0.124
	Mid	Small	0.103	0.260	0.917
2007-08	Large	Mid	0.399	0.223	0.181
	Large	Small	0.332	0.223	0.302
	Mid	Small	-0.067	0.222	0.951
2008-09	Large	Mid	0.367	0.225	0.238
	Large	Small	0.367	0.225	0.238
	Mid	Small	0.000	0.225	1.000
Percentage of independent directors on audit committee					
2006-07	Large	Mid	5.128	4.308	0.462
	Large	Small	9.828	4.308	0.064
	Mid	Small	4.701	4.230	0.510
2007-08	Large	Mid	9.215*	3.679	0.037
	Large	Small	7.303	3.679	0.122
	Mid	Small	-1.912	3.647	0.860
2008-09	Large	Mid	8.671*	3.545	0.043
	Large	Small	9.293*	3.545	0.028
	Mid	Small	0.622	3.545	0.983

(Source: Researcher's compilation) (* significant at 5 percent level)

Number of directors on audit committee across the different size of the company for the three financial years shows that there is no significance difference in composition of number of directors on audit committee in case of large and mid cap companies , large and small cap companies and mid and small cap companies . And null hypothesis is accepted.

In case of percentage of independent directors on audit committee results shows that in first year (2006-07) there is no significance difference in composition of independent directors on audit committee across the size of the company. But in the second year (2007-08) there is significance difference in composition of independent directors between large and mid cap companies. Whereas in case of large and small cap and mid and small cap companies there is no significance difference in composition of independent directors .

In the third year (2008-09) results shows that there is significance difference in composition in between large and mid cap and large and small cap companies but in case of mid and small cap there is no significance difference in composition

4.2.8 Shareholders/Investors Grievance committee and its composition

Shareholder's grievance committee is one of the most important mandatory committee as per clause 49 of listing agreement which is specially formed under chairmanship of non executive director of the company to look after the interest of the small investors. The main role of this committee is to handle the complaints received from shareholders on account of non-payment of dividend, financial statements, transfer of shares, transmission of shares, loss of share certificates, non receipts of corporate benefit such as bonus shares, rights shares etc. As per listing requirement every company should form this committee and company have to report in its corporate governance section of annual report about the number of complaints received, number of complaint solved and number of complaint unsolved during the year.

Table 4.12 : Chairman of shareholder's grievance committee, executive, non executive or Independent.

Company size	Year	Chairman of SHGC	Frequency	Percentage
Large	2006-07	Executive	00	00.0
		Non- executive	12	40.0
		Independent	16	53.3
		Missing	02	06.7
		Total	30	100.0
	2007-08	Executive	00	00.0
		Non- executive	11	36.7
		Independent	18	60.0
		Missing	01	03.3
		Total	30	100.0
	2008-09	Executive	01	03.3
		Non- executive	10	33.3
		Independent	19	63.3
		Total	30	100.0
Mid	2006-07	Executive	00	00.0
		Non- executive	11	36.7
		Independent	18	60.0
		Missing	01	03.3
		Total	30	100.0
	2007-08	Executive	00	00.0
		Non- executive	12	40.0
		independent	18	60.0
		Total	30	100.0
	2008-09	Executive	00	00.0
		Non- executive	10	33.3
		Independent	20	66.7
		Total	30	100.0
Small	2006-07	Executive	01	03.3
		Non- executive	04	13.3
		Independent	22	73.3
		Missing	03	10.0
		Total	100	100.0
	2007-08	Executive	00	00.0
		Non- executive	01	03.3
		Independent	29	96.7
		Total	30	100.0
	2008-09	Executive	00	00.0
		Non- executive	04	13.3
		independent	26	86.7
		Total	30	100.0

(Source: Researcher's compilation)

The requirement of clause 49 of listing agreement is that non executive chairman should head the shareholder's grievance committee and if it is headed by independent directors in that case we can say companies are following better practices. In case of large cap companies in 2006-07 it is found 50 percent of the

companies had independent director as a chairman and it has improved in 2007-08 and gone up to 60 percent and in 2008-09 it has gone up to 63 percent.

In case of mid cap companies the percentage of independent director as a chairman was 60 percent for the first two years and in the third year it has gone to 66 percent which is better than the large cap companies.

Small cap companies shows that in first year 76 percent of the companies had independent directors as a chairman which is the best practice compare to large cap and mid cap companies and in the second year it is 97 percent and in the third year it is 87 percent . The results shows that more and more small cap companies wants to have independent directors as chairman of shareholders grievance committee.

Table 4.13 : Descriptive statistics of number of directors on SHGC and percentage of independent directors on SHGC committee.

Year	Company size	N	Mean	Std. Dev.	Min	Max
Number of directors on shareholder's grievance committee						
2006-07	Large	27	3.52	0.975	2	5
	Mid	29	3.14	0.915	1	6
	Small	28	3.00	0.981	1	5
2007-08	Large	29	3.52	0.949	2	5
	Mid	30	2.93	0.740	1	5
	Small	30	3.13	0.860	1	5
2008-09	Large	29	3.52	0.949	2	5
	Mid	30	2.87	0.776	1	5
	Small	30	3.10	0.923	1	5
Percentage of independent director on shareholders grievance committee						
2006-07	Large	25	55.33	30.953	0	100
	Mid	29	44.99	28.002	0	100
	Small	29	56.55	27.373	0	100
2007-08	Large	28	51.13	26.732	0	100
	Mid	30	52.33	23.882	0	100
	Small	30	51.00	23.576	0	100
2008-09	Large	30	48.44	24.627	0	100
	Mid	30	55.21	23.866	0	100
	Small	30	51.96	25.000	0	100

(Source: Researcher's compilation)

Table 4.14 : ANOVA results number of directors on SHGC and percentage of independent directors on SHGC committee

Year	Company size	Company size	Mean Diff.	Std. Error	Sig.
Number of directors on shareholder's grievance committee					
2006-07	Large	Mid	0.381	0.256	0.302
	Large	Small	0.519	0.258	0.117
	Mid	Small	0.138	0.254	0.850
2007-08	Large	Mid	0.584*	0.222	0.027
	Large	Small	0.384	0.222	0.201
	Mid	Small	-0.200	0.220	0.637
2008-09	Large	Mid	0.651*	0.231	0.016
	Large	Small	0.417	0.231	0.172
	Mid	Small	-0.233	0.229	0.566
Percentage of independent director on shareholders grievance committee					
2006-07	Large	Mid	10.344	7.835	0.388
	Large	Small	-1.221	7.835	0.987
	Mid	Small	-11.565	7.539	0.281
2007-08	Large	Mid	-1.203	6.496	0.981
	Large	Small	0.130	6.496	1.000
	Mid	Small	1.333	6.383	0.976
2008-09	Large	Mid	-6.766	6.326	0.535
	Large	Small	-3.522	6.326	0.843
	Mid	Small	3.244	6.326	0.865

(Source: Researcher's compilation) (* significant at 5 percent level)

Analysis of results of composition of directors and percentage of independent directors on shareholders grievance committee shows that there is no significance difference in composition of number of directors across the different size of the company for three years, accepts the difference between large cap and mid cap in the year 2007-08 and 2008-09.

In case of percentage of independent directors across the size of the company on the shareholder's grievance committee there is no significance difference in composition of percentage of independent directors for all three years. That shows that all the size companies have almost same number of independent directors on the shareholders grievance committee.

4.2.9 Board meetings, Audit committee meeting and shareholders grievance committee meetings

Clause 49 of listing agreement mandate that every company board shall meet at least four times in a year and it further says that there should not be gap of more than three months between two meetings; this is basically to approve the quarterly financial performance of the company. Three years data shows that average number of meetings held across the size of the company is more than 6 over the period of 3 years.

In case of audit committee meetings it is mandatory for every listed company to form audit committee and the audit committee should meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present. Data shows that on an average number of meetings in case of large cap companies are high compared to mid and small cap companies.

Shareholders grievance committee meetings are held to solve the grievances of shareholders and it is observed that number and frequency of meeting across the size of the company is mixed.

Table 4.15 : Descriptive statistics showing number of board meetings, audit committee meetings and shareholders grievance committee meetings

Variable	year	Company size	N	Mean	Std. Dev	Min	Max
Board meetings	2006-07	Large	28	7.75	2.351	4	14
		Mid	29	8.24	3.970	4	17
		Small	29	7.17	3.083	4	16
	2007-08	Large	29	7.55	2.515	4	14
		Mid	30	7.73	2.912	4	15
		Small	30	6.00	1.838	4	12
	2008-09	Large	30	7.33	2.808	4	17
		Mid	30	6.63	2.484	4	13
		Small	30	5.77	1.888	4	12
Audit committee meetings	2006-07	Large	27	6.07	2.336	3	12
		Mid	29	4.72	1.334	1	08
		Small	28	4.68	1.827	0	08
	2007-08	Large	29	6.17	1.929	4	11
		Mid	30	4.90	1.348	2	09
		Small	30	4.57	0.971	3	08
	2008-09	Large	30	6.53	2.460	3	13
		Mid	30	4.77	1.104	3	08
		Small	30	4.97	1.450	3	09
SHG committee meetings	2006-07	Large	27	7.37	11.028	0	51
		Mid	28	4.00	5.484	0	22
		Small	23	6.00	7.173	0	28
	2007-08	Large	28	4.18	2.919	1	12
		Mid	30	4.67	5.701	0	24
		Small	27	4.74	5.933	0	25
	2008-09	Large	30	5.00	5.496	1	29
		Mid	30	4.10	4.498	0	21
		Small	26	4.46	4.827	0	24

(Source: Researcher's compilation)

Table 4.16 : Analysis of meetings of board, audit committee and shareholders grievance committee

Dependent variable	Years	Size of the company	Size of the company	Mean Difference	Std. Error	Sig.
Board meetings	2006-07	Large	Mid	-0.491	0.851	0.833
		Large	Small	0.578	0.851	0.777
		Mid	Small	1.069	0.844	0.418
	2007-08	Large	Mid	-0.182	0.641	0.957
		Large	Small	1.552*	0.641	0.046
		Mid	Small	1.733*	0.636	0.021
	2008-09	Large	Mid	0.700	0.626	0.505
		Large	Small	1.567*	0.626	0.037
		Mid	Small	0.867	0.626	0.353
Audit committee meetings	2006-07	Large	Mid	1.350*	0.499	0.022
		Large	Small	1.396*	0.503	0.019
		Mid	Small	0.046	0.494	0.995
	2007-08	Large	Mid	1.272*	0.381	0.004
		Large	Small	1.606*	0.381	0.000
		Mid	Small	0.333	0.378	0.653
	2008-09	Large	Mid	1.767*	0.456	0.001
		Large	Small	1.567*	0.456	0.003
		Mid	Small	-0.200	0.456	0.900
SHGC meetings	2006-07	Large	Mid	3.370	2.226	0.290
		Large	Small	1.370	2.341	0.828
		Mid	Small	-2.000	2.322	0.666
	2007-08	Large	Mid	-0.488	1.326	0.928
		Large	Small	-0.562	1.361	0.910
		Mid	Small	-0.074	1.339	0.998
	2008-09	Large	Mid	0.900	1.282	0.763
		Large	Small	0.538	1.330	0.914
		Mid	Small	-0.362	1.330	0.960

(Source: Researcher's compilation) (* significant at 5 percent level)

Analysis of results of number of board meeting held during the year across the size of the company shows that there is no significance difference in meetings held across the large mid and small cap companies in the year 2006-07. But in the year 2007-08 data shows there is significance difference in conduct of meetings between large and mid cap companies and mid and small cap companies . In year 2008-09

data shows there is no significance difference between mid and large cap and mid and small cap but there is significance different between large and small cap companies.

In case of number of audit committee meetings held during the years for three years data, results shows that there is significance difference in case of large and mid cap companies and large and small cap companies whereas there is no significance difference between mid and small cap companies for all the three years .

Number of shareholders grievance committee meetings results shows that there is no significance difference in the number of meetings held across the large, mid and small cap companies over the three years.

4.2.10 Number of complaints received, solved and unsolved by the SHGC

Shareholders grievance committee has to look into the complaints received from investors like transfer of shares, non-receipt of annual report, non-receipt of declared dividends etc. and companies have to report on that number of complaint received, number of complaint solved and number of complaint unsolved during the year in corporate governance report to shareholders . Descriptive statistics of number of complaints received, number of complaint solved and number of complaint remained un solved data shows that initially in 2006-07 not all companies have reported the same but over the three years there is a improvement and in case large cap companies almost all the companies have reported on this and number of complaints received by each companies has gone down over the three years which shows that companies are solving the investors grievances in timely manner. Secondly numbers of complaints received are large in year 2007-08 compared to year 2006-07 for all size of the companies but in the year 2008-09 number of complaints

received have gone down drastically this shows that corporate governance disclosure is showing positive results.

Table 4.17 : Number of complaints received, solved and unsolved by three categories of companies

Year	Company size	N	Mean	Std. Dev.	Min	Max
Number of complaints received						
2006-07	Large	22	1164.18	2007.261	27	8080
	Mid	23	574.04	1618.279	06	7690
	Small	19	314.79	572.458	12	1982
2007-08	Large	25	2024.00	4064.217	05	19248
	Mid	25	720.84	1676.328	06	7860
	Small	21	238.48	524.153	00	2286
2008-09	Large	29	1014.31	1814.742	01	7731
	Mid	24	317.58	572.924	06	1905
	Small	21	160.19	353.272	06	1654
Number of complaint solved						
2006-07	Large	22	1147.50	1981.354	27	8080
	Mid	23	567.22	1615.880	06	7690
	Small	19	314.21	572.751	12	1982
2007-08	Large	25	2010.84	4055.350	05	19241
	Mid	25	720.60	1676.374	06	7860
	Small	21	235.38	524.923	00	2286
2008-09	Large	29	1013.86	1813.714	01	7725
	Mid	24	317.46	572.603	06	1905
	Small	21	155.57	354.464	00	1654
Number of complaint unsolved						
2006-07	Large	25	2.36	5.908	00	24
	Mid	23	2.48	11.032	00	53
	Small	19	0.58	2.293	00	10
2007-08	Large	27	12.85	61.220	00	319
	Mid	25	0.24	0.831	00	3
	Small	21	0.29	0.902	00	4
2008-09	Large	29	0.45	1.549	00	6
	Mid	24	0.38	1.345	00	6
	Small	21	0.57	2.619	00	12

(Source: Researcher's compilation)

Table 4.18 : ANOVA Results of number of complaints received, solved and unsolved across the companies

Year	Company size	Company size	Mean Dif.	Std. Error	Sig.
Number of complaints received					
2006-07	Large	Mid	590.138	464.707	0.417
	Large	Small	849.392	488.036	0.199
	Mid	Small	-259.254	483.094	0.854
2007-08	Large	Mid	1303.160	743.098	0.193
	Large	Small	1785.524	777.679	0.063
	Mid	Small	482.364	777.679	0.810
2008-09	Large	Mid	696.727	331.171	0.096
	Large	Small	854.120*	343.871	0.040
	Mid	Small	157.393	358.600	0.899
Number of complaint solved					
2006-07	Large	Mid	580.283	461.030	0.424
	Large	Small	833.289	484.174	0.206
	Mid	Small	253.007	479.272	0.858
2007-08	Large	Mid	1290.240	741.744	0.198
	Large	Small	1775.459	776.262	0.064
	Mid	Small	485.219	776.262	0.807
2008-09	Large	Mid	696.404	331.015	0.096
	Large	Small	858.291*	343.709	0.039
	Mid	Small	161.887	358.431	0.894
Number of complaint unsolved					
2006-07	Large	Mid	-0.118	2.170	0.998
	Large	Small	1.781	2.286	0.717
	Mid	Small	1.899	2.328	0.695
2007-08	Large	Mid	12.612	10.357	0.447
	Large	Small	12.566	10.858	0.482
	Mid	Small	-0.046	11.046	1.000
2008-09	Large	Mid	0.073	0.514	0.989
	Large	Small	-0.123	0.533	0.971
	Mid	Small	-0.196	0.556	0.934

(Source: Researcher's compilation)

Analysis of results of complaints received, solved and unsolved shows that there is no significance difference between large, mid and small cap companies for all three years only exception is in the year 2008-09 in which there is significance difference between large and small cap in case of complaint received and solved.

4.2.11 Additional Committees of the Board

As per mandatory guidelines of clause 49 of listing agreement all the listed companies must have two mandatory board committees namely audit committee, and shareholders grievance committee. Other than these two committees many companies go for additional committees to bring transparency in business and to give confidence to the interested parties and especially to the minority shareholders with independent directors as members on these committees. Additional committees identified in the companies are remuneration committee, compensation committee, nomination committee, research and development committee, ethics committee, project appraisal committee, health, safety and environment committee and financial management committee. In case of large cap companies the average number of committees are three and in case of mid cap companies it is two and in case of small cap companies it is one and there in no improvement in number of additional committees.

Table 4.19 : Descriptive statistics of additional board committees exists in the companies

Year	Company size	N	Mean	Std. Dev.	Min	Max
2006-07	Large	28	3.25	2.119	0	7
	Mid	29	1.93	1.791	0	7
	Small	28	1.04	0.637	0	2
2007-08	Large	29	3.28	2.051	0	7
	Mid	30	2.07	1.701	0	7
	Small	29	1.14	0.581	0	2
2008-09	Large	30	3.00	1.682	0	7
	Mid	30	2.03	1.671	0	7
	Small	30	1.37	0.809	0	4

(Source: Researcher's compilation)

Table 4.20 : ANOVA results of additional Board committees across the companies

Years	Size of the company	Size of the company	Mean Dif.	Std. Error	Sig.
2006-07	Large	Mid	1.319*	0.436	0.009
	Large	Small	2.214*	0.440	0.000
	Mid	Small	0.895	0.436	0.106
2007-08	Large	Mid	1.209*	0.410	0.011
	Large	Small	2.138*	0.414	0.000
	Mid	Small	-1.209*	0.410	0.011
2008-09	Large	Mid	0.967*	0.373	0.030
	Large	Small	1.633*	0.373	0.000
	Mid	Small	0.667	0.373	0.180

(Source: Researcher's compilation) (* significant at 5 percent level)

Analysis of results on additional committees across the different size of the company shows that there is a significance difference in number of additional committees on the board exists in the company. There is a significance difference between large and mid cap companies and large and small cap companies over the three years. In case of mid and small cap companies there is no significance difference exists in the year 2006-07 and 2008-09.

4.3 Company attributes and its influence on Corporate Governance Disclosure Practices

4.3.1 Introduction

In this second part of this chapter attempt is made to examine the association of company attributes such as size of the company, industry sectors, age of the company, promoter's shareholdings in the company, financial institutions share holding in the company and number of independent directors on the board of the company and its influence on mandatory and non - mandatory corporate governance disclosure practices of selected companies. Mandatory and non- mandatory corporate

governance practices and its influence on various company attribute have been studied separately for better understanding purpose.

4.3.2 Explanatory variables and Hypothesis

Data on following company attributes is been collected to see the influence on the mandatory and non-mandatory corporate governance disclosure practices.

4.3.2.1 Size of the company

Theoretically, size of the firm is assumed to affect the level of corporate governance disclosure practices in the annual report of the company. It is assumed that bigger the size of the company, the more is the information disclosed in the annual report. Many reasons have been advocated in the literature to support this and one of the common reason cited is that large firm would be having necessary resources and expertise for disclosure of more sophisticated financial reports. Here attempt is made to see whether the size of the company is influencing the corporate governance disclosure practices of the listed companies and for this purpose size of the company is considered based on market capitalisation of the company. Large, mid and small size companies are selected for the study. To test the influence of size of the company on mandatory and non- mandatory corporate governance disclosure practices following null hypothesis are tested

Hypotheses 1: Size of the company has no significance influence on mandatory corporate governance disclosure practices.

Hypotheses 2: Size of the company has no significance influence on non - mandatory corporate governance disclosure practices.

4.3.2.2 Industry sectors

In India we find many industrial sectors dominate the corporate world and we find performance of each sector changes due to different factors. In this study an attempt has been made to see whether the industry sector has any influence on mandatory and non-mandatory corporate governance disclosure practices of the company. There are all together 11 different sector are considered in the study and maximum (15) industries are from diversified sector and 12 from information technology and 8 each from housing related, oil and gas, health care and capital goods. To test the influence of industry sector on mandatory and non- mandatory corporate governance disclosure practices following null hypothesis are tested.

Hypotheses 3: There is no significance difference in mandatory corporate governance disclosure practices across the different industry sectors.

Hypotheses 4: There is no significance difference in non- mandatory corporate governance disclosure practices across the different sector of the industry.

4.3.2.3 Promoters share holding in company

Percentage of promoter's voting right in any company is deciding factor in the company and in case of companies where promoter holds more than 51 percent of stake, other class of shareholders may not have much say in decision making process of the company. In such situation it is interesting to see the influence of promoter's shareholding in the company on mandatory and non mandatory corporate governance disclosure practices of the company. To test the influence of promoters share holding in company on mandatory and non-mandatory corporate governance disclosure practice following null hypothesis are tested.

Hypotheses 5: Percentage of promoter's shareholding in the company has no significant influence on mandatory corporate governance disclosure practices.

Hypotheses 6: Percentage of promoter's shareholding in the company has no significant influence on non- mandatory corporate governance disclosure practices.

Table 4.21 shows descriptive statistics of the promoter's shareholding in the company for three financial years. Findings shows that maximum percentage of promoters share in the large, mid and small cap companies is 80 percent and average promoters shareholding in company is highest in case of small cap companies in the year 2006-07 which is 50.34 percent and in case of mid cap companies it is 45.33 and in case of large cap it is 44.67 percent. In the year 2007-08, in case of large cap companies it is almost same where as it has gone up in case of mid and small cap companies, Similarly in the year 2008-09 there is not much change in the promoters shareholding in all the three categories of companies over the previous years.

Table 4.21 : Descriptive statistics of the promoters share holding in the company

Year	Company size	N	Mean	Std. Deviation	Min	Max
2006-07	Large	30	44.67	26.741	0	90
	Mid	30	45.33	19.602	0	87
	Small	29	50.34	17.589	0	80
2007-08	Large	30	44.13	26.501	0	90
	Mid	30	47.77	19.588	0	87
	Small	30	53.23	15.453	26	80
2008-09	Large	30	44.90	25.959	0	90
	Mid	30	47.13	18.085	0	81
	Small	30	53.97	15.264	26	80

(Source: Researcher's compilation)

4.3.2.4 Financial institutions shareholding in the company – Financial institutions provides major support to the companies to raise the capital from the indigenous as well as from international markets and it is interesting to know the influence of financial institutions share holding on the mandatory and non - mandatory corporate governance disclosure practices of the company. To test the influence of financial institutional shareholding in the company on mandatory and non mandatory corporate governance disclosure practices following null hypothesis are tested.

Hypotheses 7: Percentage of financial institutions shareholding in the company has no significant influence on mandatory corporate governance disclosure practices.

Hypotheses 8: Percentage of financial institutions shareholding in the company has no significant influence and non- mandatory corporate governance disclosure practices.

Table 4.22 shows descriptive statistics of financial institutions shareholding in the company for three financial years. Data shows that investment of financial institutions is more towards large cap companies and in the year 2006-07, average holding in case of large cap is 33 percent where as it is 27 percent in case of mid cap companies and 12.52 percent in case of small cap companies. And in the year 2007-08 it has come down by one percent in case of large and small cap companies and by 2 percent in case of mid cap companies . In the year 2008- 09 it has gone up in case of large cap companies by two percent over previous year but in case of mid cap it is gone down by two percent over the previous year and in case of small cap companies it is almost same.

Table 4.22 : Descriptive statistics of financial institutions shareholding in the company

Year	Company size	N	Mean	Std. Deviation	Min	Max
2006-07	Large	30	33.23	17.579	7	86
	Mid	30	27.03	13.952	3	47
	Small	29	12.52	7.971	0	30
2007-08	Large	30	32.53	17.268	7	86
	Mid	30	25.33	14.608	0	58
	Small	30	11.53	7.286	0	27
2008-09	Large	30	34.43	17.324	7	88
	Mid	30	18.23	12.300	1	48
	Small	30	07.60	7.365	0	31

(Source: Researcher's compilation)

4.3.2.5. Age of the company – Attempt is made to see if any relationship exists between the age of the company and extent of mandatory and non mandatory corporate governance disclosure practices followed by the company. Age of company here is taken as the year of registration of the company. To test the influence of age of the company on mandatory and non- mandatory corporate governance disclosure practices following null hypothesis are tested.

Hypotheses 9: Age of the company has no significant influence on mandatory corporate governance disclosure practices.

Hypotheses 10: Age of the company has no significant influence on non- mandatory corporate governance disclosure practices.

Table 4.23 shows descriptive statistics of age on the sample companies based on size of the companies, finding shows mean age of large cap companies for financial year 2008-09 is 45 years with maximum age is around 102 years and minimum age of 7 years. In case of mid cap companies average age is 28 years with maximum age of a company is 87 years and minimum age is 4 years and in case of small cap companies average age is 29 years with maximum age is 90 years and minimum is 5 years.

Table 4.23 : Descriptive statistics of age on the sample companies in years for three years

Year	Company size	N	Mean	Std. Dev	Min	Max
2006-07	Large	30	42.97	28.336	3	100
	Mid	30	27.90	20.249	2	85
	Small	30	28.40	22.391	5	88
2007-08	Large	30	43.97	28.336	4	101
	Mid	30	28.93	20.425	3	86
	Small	30	29.33	22.357	6	89
2008-09	Large	30	44.97	28.336	5	102
	Mid	30	29.87	20.282	4	87
	Small	30	30.33	22.437	7	90

(Source: Researcher's compilation)

4.3.2.6 Independent directors on the board – Independent directors has to play major role in the management of the company in case of decision making process especially in the board meeting, audit committee meetings and at the shareholders grievance committee meetings in protecting the interest of the minority and small shareholders. Attempt is made to see the number of independent directors on the board of the company has any influence on mandatory and non - mandatory corporate governance disclosure practices of the company and following null hypothesis are tested.

Hypotheses 11: Number of independent directors on the board has no significant influence on mandatory corporate governance disclosure practices.

Hypotheses 12: Number of independent directors on the board has no significant influence on non- mandatory corporate governance disclosure practices.

Table 4.24 Data on number of independent directors across the different categories of company shows that in case of large cap companies mean score of number of independent directors on the board is 6.54 in the first two years and there is a increase in the third year, which shows that companies are going for more

independent directors to give confidence to investors. In case of mid cap companies' similar trend is seen over the three years, but average numbers of independent directors are less as compared to large cap companies. With regard to small cap companies number of independent directors is lesser in number compared to large and mid cap companies.

Table 4.24 : Descriptive statistics of number of independent directors on the board

Year	Company size	N	Mean	Std. Dev	Min	Max
2006-07	Large	28	6.54	2.472	3	11
	Mid	29	4.86	1.807	2	9
	Small	29	4.17	1.256	2	7
2007-08	Large	28	6.54	2.151	4	11
	Mid	30	4.77	1.675	2	9
	Small	30	4.40	1.380	2	8
2008-09	Large	30	6.83	2.102	3	11
	Mid	30	5.30	1.985	2	9
	Small	30	4.33	1.269	2	7

(Source: Researcher's compilation)

4.3.3 Mandatory and Non mandatory corporate governance disclosure index

To measure mandatory and non- mandatory corporate governance disclosure practices of a company a corporate governance index of mandatory and non-mandatory items is constructed. To construct mandatory corporate governance disclosure index, corporate governance reports of selected companies are analysed for content analysis and index of 64 mandatory items disclosed in annual report are constructed. A dichotomous procedure was followed to measure each disclosure items. Each company was awarded score '1' if company has disclosed the item and '0' otherwise. The net score of each company was found by adding all the individual score. The maximum score obtained by each of the company could be 64, if all the items are disclosed. All the items are given equal weight because each item is considered as equally important. Similarly non mandatory corporate governance

disclosure index was constructed based on 7 non mandatory items disclosed in the corporate governance report of the company. Mandatory and non mandatory corporate governance Disclosure index is calculated by using following formula as used by Bhuiyan and Biswas (2007) and Anurag Pahuuja (2010)

$$CGDI = \frac{Total\ Score\ of\ the\ Individual\ Company}{Maximum\ Possible\ Score\ Obtainable\ by\ Company} \times 100$$

Table 4.25 : Descriptive statistics of mandatory corporate governance index

Year	Company size	N	Mean	Std. Deviation	Min	Max
2006-07	Large	27	99.77	1.203	94	100
	Mid	29	97.88	2.423	94	100
	Small	29	93.24	13.043	47	98
2007-08	Large	28	99.67	1.227	95	100
	Mid	30	97.81	4.354	78	100
	Small	27	96.47	2.825	89	98
2008-09	Large	30	100.00	.000	100	100
	Mid	30	97.77	4.338	78	100
	Small	30	96.44	2.814	89	100

(Source: Researcher's compilation)

Table 4.25 shows descriptive statistics of mandatory items of corporate governance disclosed by the company for the three years. Number of mandatory items disclosed by companies is improved over the period of three years and all the large companies have disclosed all the required information in the year 2008-09 whereas in case of mid and small cap companies it 97 and 96 percent respectively.

Table 4.26 shows descriptive statistics of non- mandatory items of corporate governance disclosure practices of the companies for the three years. In the year 2006-07, large cap companies' average disclosure was 40 percent, whereas in case of

mid cap and smali cap it was 24 and 13 percent respectively. In 2007-08 disclosure has been improved in case of all three types of companies but surprisingly it is down in case of large cap by 3 percent in the year 2009 and it in case of mid and small cap companies it is improved.

Table 4.26 : Descriptive statistics of non-mandatory corporate governance index

Year	Company size	N	Mean	Std. Deviation	Min	Max
2006-07	Large	27	40.22	30.960	0	100
	Mid	30	24.28	19.548	0	71
	Small	29	13.30	7.569	0	29
2007-08	Large	28	45.92	29.715	0	100
	Mid	30	26.19	18.789	0	71
	Small	27	14.81	7.392	0	43
2008-09	Large	30	42.31	32.177	0	100
	Mid	30	27.50	20.868	0	86
	Small	30	16.53	9.017	0	56

(Source: Researcher's compilation)

4.3.4 Association between company attributes and mandatory disclosure index

To analyse the association between company attribute and mandatory disclosure index, statistical test ANOVA and multiple regression analysis have been used. Influence of size and industry sector on mandatory disclosure practices is studied by using ANOVA test and to study thc influence of promoter's shareholding, financial institutions shareholdings, age of the company and number of independent directors on board of the company on mandatory disclosure index is studied with simple and multiple regression analysis.

4.3.4.1 Association between size of the company and mandatory corporate governance disclosure index

Table 4.27 : ANOVA results of mandatory disclosure index and size of the company

Years	Size of the company	Size of the company	Mean Difference	Std. Error	Sig.
2006-07	Large	Mid	1.885	2.081	0.638
	Large	Small	6.527*	2.081	0.007
	Mid	Small	4.642	2.044	0.066
2007-08	Large	Mid	1.856	0.820	0.067
	Large	Small	3.201*	0.841	0.001
	Mid	Small	1.344	0.828	0.241
2008-09	Large	Mid	2.228*	0.771	0.013
	Large	Small	3.558*	0.771	0.000
	Mid	Small	1.331	0.771	0.201

(Source: Researcher's compilation) (Significance at 5 percent level)

Analysis of results of association between size of the company and mandatory disclosure index is mixed. Finding shows that in the year 2006-07 and 2007-08 there is no significant difference in disclosure practices between large and mid cap and mid and small cap companies, but there is a significant difference between large and small cap companies at 5 percent level. In the financial year 2008-09 data shows that there is significant difference between large and mid cap and large and small cap companies at 5 percent level, this is because there is improvement in disclosure in large cap companies. But there is no significant difference is disclosure in case of mid and small cap companies.

4.3.4.2. Industry sectors and its influence on mandatory disclosure index

Table 4.28 shows the ANOVA results of various industry sectors and its influence on mandatory corporate governance disclosure index. The analysis shows that there is no significant difference in mandatory disclosure practices among the

various industry sectors over the three years. Therefore the hypothesis (H3) is rejected and it can be inferred that type of industry sector has no association with mandatory disclosure index.

Table 4.28 : ANOVA on mandatory corporate disclosure index and industry sector for three years

Year		Sum of squares	df	Mean square	F	Sig.
2006-07	Between the groups	435.816	11	39.620	0.560	0.855
	Within the groups	5168.250	73	70.798		
	Total	5604.066	84			
2007-08	Between the groups	104.541	11	9.504	0.830	0.611
	Within the groups	835.898	73	11.451		
	Total	940.439	84			
2008-09	Between the groups	138.232	11	12.567	1.179	0.315
	Within the groups	831.062	78	10.655		
	Total	969.294	89			

(Source: Researcher's compilation)

4.3.4.3 Association between promoter's shareholding and mandatory disclosure index

Table 4.29 : Regression results of promoters shareholding (PSH) and mandatory corporate governance disclosure index

Year		Unstandardised coefficients		Stand coef.	R	R Squ	Adj R Square	T	Sig.
		B	Std. Error	Beta					
2006-07	Const	97.510	2.170					44.932	0.000
	PSH	-0.013	0.043	-0.034	0.034[a]	0.001	-0.011	-0.310	0.758
2007-08	Const	98.023	0.932					105.229	0.000
	PSH	0.000	0.017	-0.004	0.004[a]	0.000	-0.012	-0.034	0.973
2008-09	Const	98.071	0.908					107.966	0.000
	PSH	5.387E-6	0.017	0.000	0.000[a]	0.000	-0.011	0.000	1.000

(Source: Researcher's compilation)

Regression result shows that percentage of promoters share holding in the company has no significant influence on mandatory corporate governance disclosure practices at 5 percent level Therefore the hypothesis (H5) is rejected and it can be inferred that promoters share holding in company has no significant influence on mandatory disclosure index.

4.3.4.4 Association between financial institution shareholding and mandatory disclosure index

Table 4.30 : Regression results of financial institutions shareholdings (FISH) and mandatory corporate governance disclosure index

year		Unstandardised coefficients		Stand coef.	R	R Square	Adj R Square	t	Sig.
		B	Std. Error	Beta					
2006-07	Constant	94.362	1.628					57.951	0.000
	FISH	0.102	0.055	0.201	0.201	0.040	0.029	1.855	0.067
2007-08	Constant	97.855	0.632					154.855	0.000
	FISH	0.006	0.022	0.030	0.030	0.001	-0.011	0.269	0.789
2008-09	Constant	97.391	0.536					181.821	0.000
	FISH	0.034	0.020	0.174	0.174	0.030	0.019	1.660	0.101

(Source: Researcher's compilation)

Regression analysis was used to statistically test the relationship between the financial institutions shareholdings in the company and mandatory corporate governance disclosure practices, results shows that there is no significance influence of financial institutions shareholding on mandatory corporate governance disclosure at 5 percent over the period of three years. Hence hypothesis (H7) is rejected and alternate hypothesis is accepted.

4.3.4.5 Association between age of the company and mandatory disclosure index

Table 4.31 : Regression results of Age of the company (AC) and mandatory corporate governance disclosure index

Year		Unstandardised coefficients		Stand coef.	R	R Square	Adj R Square	t	Sig.
		B	Std. Error	Beta					
2006-07	Constant	94.933	1.468					64.664	0.000
	AC	0.058	0.035	0.180	0.180	0.032	0.021	1.669	0.099
2007-08	Constant	96.602	0.595					162.461	0.000
	AC	0.040	0.014	0.302	0.302	0.091	0.080	2.887	0.005
2008-09	Constant	97.086	0.596					162.827	0.000
	AC	0.028	0.014	0.210	0.210	0.044	0.033	2.017	0.047

(Source: Researcher's compilation)

Regression analysis used to test the significance influence of age of the company on the mandatory disclosure practices, results shows that age of the company shows significant influence on disclosure index at 10 percent level in the first year and in the subsequent years it shows significant influence at 5 percent level and in this case null hypothesis (H9) is accepted and it can be inferred that age of the company does influencing the mandatory disclosure practices.

4.3.4.6 Association between number of independent directors on the board of the company and mandatory disclosure index

Table 4.32 shows regression results of association between number of independent directors on the board of the company and mandatory corporate governance disclosure index shows that there is no significant influence of number of

independent directors on the mandatory corporate governance disclosure of the company and null hypothesis is rejected.

Table 4.32. : Regression results of association between Independent directors on board (IDB) and Mandatory corporate governance disclosure index

Year		Unstandardised coefficients		Stand coef.	R	R Square	Adj R Square	t	Sig.
		B	Std. Error	Beta					
2006-07	Constant	95.056	2.343					40.572	0.000
	IDB	0.358	0.422	0.093	0.093[a]	0.009	-0.003	0.850	0.398
2007-08	Constant	97.678	1.054					92.685	0.000
	IDB	0.056	0.189	0.033	0.033[a]	0.001	-0.011	0.296	0.768
2008-09	Constant	97.338	0.989					98.402	0.000
	IDB	0.134	0.169	0.084	0.084[a]	0.007	-0.004	0.792	0.430

(Source: Researcher's compilation)

4.3.5 Companies attribute and influence on non- mandatory disclosure index

Clause 49 of listing agreement which is applicable to all listed companies with effect from 1st April 2006 has specified 7 non - mandatory disclosure items to be followed and disclosed in annual report on corporate governance by the listed company. Items of non mandatory disclosure are term and tenure of independent directors, formation of remuneration committee, sending half yearly financial performance to each shareholders household, training of board members, mechanism for evaluating of non- executive board members and establishment of whistle - blower policy.

4.3.5.1 Association between size of the company and non - mandatory corporate governance disclosure index

Table 4.33 : ANOVA results of non-mandatory disclosure index and size of the company

Years	Size of the company	Size of the company	Mean Difference	Std. Error	Sig.
2006-07	Large	Mid	15.937*	5.647	0.016
	Large	Small	26.922*	5.693	0.000
	Mid	Small	10.985	5.543	0.123
2007-08	Large	Mid	19.735*	5.467	0.002
	Large	Small	31.112*	5.612	0.000
	Mid	Small	11.376	5.520	0.104
2008-09	Large	Mid	14.813*	5.873	0.036
	Large	Small	25.780*	5.873	0.000
	Mid	Small	10.967	5.873	0.154

(Source: Researcher's compilation) (Significant at 5 percent level)

In case of non mandatory disclosure index, analysis of results shows that there is a significant difference in non mandatory corporate governance disclosure practice followed, between the large and mid cap and large and small cap companies for all three years but in case of mid and small cap companies there is no significant difference in non - mandatory corporate governance disclosure practices for all three years.

4.3.5.2 Industry sectors and its influence on non- mandatory disclosure Index

Table 4.34 shows the ANOVA results of various industry sectors and its influence on non -mandatory corporate governance disclosure index. The analysis shows that there is no significant difference in non - mandatory disclosure practices among the various industry sectors over the three years. Therefore the hypothesis (H4) is accepted and it can be inferred that there is no significant difference between various industry sectors and non-mandatory corporate governance discloser index.

Table 4.34 : ANOVA on non mandatory corporate disclosure index and industry sector for three years

Year		Sum of squares	df	Mean square	F	Sig.
2006-07	Between the groups		11	563.699	1.002	0.453
	Within the groups	41618.370	74	562.410		
	Total	47819.064	85			
2007-08	Between the groups	7871.939	11	715.631	1.264	0.262
	Within the groups	41319.219	73	566.017		
	Total	49191.159	84			
2008-09	Between the groups	7661.107	11	696.464	1.146	0.338
	Within the groups	47395.017	78	607.628		
	Total	55056.125	89			

(Source: Researcher's compilation)

Table 4.35 : Regression results of promoter's shareholding (PSH) and its influence on Non mandatory corporate governance disclosure index

Year		Unstandardised coefficients		Stand coef.	R	R Square	Adj. R Square	t	Sig.
		B	Std. Error	Beta					
2006-07	Constant	24.656	6.824					3.613	0.001
	PSH	0.238	1.228	0.021	0.021	0.000	-0.012	0.194	0.847
2007-08	Constant	23.600	7.596					3.107	0.003
	PSH	1.083	1.365	0.087	0.087	0.008	-0.004	0.794	0.430
2008-09	Constant	15.966	7.338					2.176	0.032
	PSH	2.334	1.251	0.195	0.195	0.038	0.027	1.866	0.065

(Source: Researcher's compilation)

4.3.5.3 Promoters shareholding and its influence on non- mandatory disclosure index

Table 4.35 shows regression results of association between promoter's shareholding and non mandatory corporate governance disclosure index. Findings shows that there is no statistical significant influence of promoter's shareholding on non- mandatory disclosure index for the first two years, but in case of third year there

is a influence of promoters shareholding in the company on the non mandatory disclosure practices at 10 percent level which shows that there is improvement in disclosure.

Table 4.36 : Regression results of financial institutions shareholdings (FISH) and its influence on non - mandatory corporate governance disclosure index

Year		Unstandardised coefficients		Stand coef.	R	R Square	Adj R Square	t	Sig.
		B	Std. Error	Beta					
2006-07	Constant	17.186	4.625					3.716	0.000
	FISH	0.345	0.157	0.235	0.235	0.055	0.044	2.202	0.030
2007-08	Constant	18.502	4.346					4.258	0.000
	FISH	0.458	0.154	0.311	0.311	0.097	0.086	2.980	0.004
2008-09	Constant	19.119	3.873					4.937	0.000
	FISH	0.481	0.148	0.328	0.328	0.108	0.097	3.257	0.002

(Source: Researcher's compilation)

4.3.5.4 Financial institutions shareholding and its influence on non- mandatory disclosure index

Regression results shows that there is a significant influence of financial institutions shareholding on non - mandatory corporate governance disclosure index at 5 percent level for all the three years hence the hypothesis (H7), financial institutions shareholding in the company has no significant influence in non mandatory disclosure practices is rejected.

4.3.5.5 Age of the company and its influence on non- mandatory disclosure index

Table 4.37 : Regression results of Age of the company (AC) and its influence on Non mandatory corporate governance disclosure index

Year		Unstandardised coefficients		Stand coef.	R	R Square	Adj R Square	t	Sig.
		B	Std. Error	Beta					
2006-07	Constant	21.498	4.274					5.030	0.000
	AC	0.122	0.102	0.129	0.129	0.017	0.005	1.190	0.237
2007-08	Constant	21.394	4.390					4.874	0.000
	AC	0.221	0.102	0.230	0.230	0.053	0.042	2.158	0.034
2008-09	Constant	22.087	4.513					4.894	0.000
	AC	0.191	0.105	0.189	0.189	0.036	0.025	1.810	0.074

(Source: Researcher's compilation)

Analysis of results of association between age of the company and non - mandatory disclosure practices shows mixed results. There is no significant association between the two in the year 2006-07 and 2008-09 but in case of year 2007-08 analysis shows there is a significant influence of age on the non mandatory disclosure practices.

4.3.5.6 Independent directors on the Board and its influence on non- mandatory disclosure index

Table 4.38 : Regression results of Independent Directors on Board (IDB) and Non Mandatory corporate governance disclosure index

Year		Unstandardised coefficients		Stand coef.	R	R Square	Adj. R Square	t	Sig.
		B	Std. Error	Beta					
2006-07	Constant	24.656	6.824					3.613	0.001
	IDB	0.238	1.228	0.021	0.021	0.000	-0.012	0.194	0.847
2007-08	Constant	23.600	7.596					3.107	0.003
	IDB	1.083	1.365	0.087	0.087	0.008	-0.004	0.794	0.430
2008-09	Constant	15.966	7.338					2.176	0.032
	IDB	2.334	1.251	0.195	0.195	0.038	0.027	1.866	0.065

(Source: Researcher's compilation)

Regression result shows that there is no significant influence of number of independent directors on the board of the company on the non - mandatory disclosure index for the first 2 years but in case of the year 2008-09 finding shows that as the number of independent director's increases there is improvement in disclosure practices and null hypothesis is rejected at 10 percent level.

4.3.6 Multiple Regression analysis

To study the combined effect of variables like promoters shareholding, financial institutions shareholding, age, and number of directors on the board of the company on mandatory and non mandatory disclosure practices, multiple regression models are tested.

4.3.6.1 Company attributes and mandatory corporate governance disclosure index

To test the influence of company attributes on mandatory corporate governance disclosure index following multiple regressions is tested

$$MCGDI = C + \beta 1AGEt + \beta 2PSHCt + \beta 3FISHt + \beta 4NIDBt + et$$

Table 4.39 : Multiple regression results of company attributes and mandatory disclosure index

Year	Unstandardised coefficients		Stand coef.	t	Sig.
	B	Std. Error	Beta		
Year 2007-08					
Constant	89.379	4.307		20.750	0.000
PSH	0.053	0.053	0.135	0.986	0.327
FISH	0.122	0.075	0.240	1.633	0.106
AC	0.046	0.037	0.140	1.252	0.214
IDB	0.106	0.451	0.027	0.234	0.816
Year 2007-08					
Constant	95.729	2.166		44.193	0.000
PSH	0.012	0.024	0.075	0.484	0.629
FISH	0.002	0.032	0.012	0.078	0.938
AC	0.041	0.015	0.309	2.815	0.006
IDB	0.035	0.205	0.021	0.171	0.864
Year 2008-09					
Constant	94.554	1.802		52.459	0.000
PSH	0.035	0.023	0.216	1.538	0.128
FISH	0.054	0.030	0.280	1.821	0.072
AC	0.024	0.014	0.178	1.651	0.102
IDB	-0.020	0.189	-0.013	-0.107	0.915

(Source: Researcher's compilation)

Table 4.40 : Model summary of company attributes and mandatory disclosure index

Year	R	R Square	Adjusted R Square
2006-07	.268	0.072	0.025
2007-08	.305	0.093	0.047
2008-09	.292	0.085	0.042

(Source: Researcher's compilation)

Table 4.39 shows the regression results of different combination of variable for three years. Finding shows that there is no significant influence of company attributes on the mandatory corporate governance disclosure index in the first year. In second year finding shows age of the company has significant influence on the mandatory disclosure index and in the third year only financial institutions

shareholding has significance influence on mandatory disclosure index at 10 percent level.

4.3.6.2 Company attributes and non-mandatory corporate governance disclosure index

To test the influence of company attributes on non- mandatory corporate governance disclosure index following multiple regressions is tested

$$NMCGDI = C + \beta 1AGEt + \beta 2PSHCt + \beta 3FISHt + \beta 4NIDBt + et$$

Table 4.41 : Multiple regression results of company attributes and non-mandatory disclosure index

Year	Unstandardised coefficients		Stand coef.	t	Sig.
	B	Std. Error	Beta		
Year 2006-07					
Constant	9.707	12.494		0.777	0.439
PSH	0.137	0.155	0.122	0.887	0.378
FISH	0.443	0.216	0.302	2.048	0.044
AC	0.075	0.106	0.079	0.704	0.483
IDB	-0.690	1.309	-0.061	-0.527	0.600
Year 2007-08					
Constant	8.630	15.276		0.565	0.574
PSH	0.109	0.172	0.095	0.630	0.530
FISH	0.536	0.224	0.365	2.391	0.019
AC	0.184	0.103	0.192	1.787	0.078
IDB	-0.658	1.448	-0.053	-0.454	0.651
Year 2008-09					
Constant	6.446	13.282		0.485	0.629
PSH	0.118	0.167	0.097	0.705	0.483
FISH	0.507	0.220	0.346	2.301	0.024
AC	0.110	0.106	0.109	1.038	0.302
IDB	0.463	1.393	0.039	0.332	0.740

(Source: Researcher's compilation)

Table 4.42 Model summary of company attributes and Non Mandatory disclosure index

Year	R	R Square	Adjusted R Square
2006-07	0.263	0.069	0.022
2007-8	0.371	0.137	0.094
2008-09	0.354	0.125	0.084

(Source: Researcher's compilation)

Table 4.41 shows the regression results of different combination of variable for three financial years. Finding shows that financial institutional shareholding in the company is significantly influencing the non mandatory disclosure index at 5 percent level for three years. And age of the company has shown influence on non mandatory disclosure index in the second year.

4.4 Investor's perception and awareness on corporate governance

4.4.1 Introduction

Varma (1997) reported in his finding that the central problem in Indian corporate governance is not a conflict between management and owners as in US and the UK, but conflict between dominant shareholders and minority shareholders. The basic purpose of corporate governance disclosure practices is to make shareholder aware about the governance practices in the company by way of transparency in the business conduct. In India we find mostly three types of listed companies. One, Public sector units where in Government holds majority of stake, second, multinational companies wherein foreign parent company holds majority stake and third category is of Indian business groups in which promoters and family member of promoters hold majority of stake in the company and public are minority in all these companies. In this situation protection of small investors (retail investor) is very difficult task and

only solution in the hands of regulator is to ask for maximum disclosure and to make awareness among the shareholders' on the policies and practices in the company. Non receipt of copy of annual report, dividend warrant, corporate benefits such as bonus and rights issues and ineffective share transfer system are some of the major problems faced by the retail investors due to non compliance by companies and therefore investor safety is at stake. For that matter investor awareness on various aspects of corporate governance is very important for safety of retail investors'.

4.4.2 Retail Investors / Small Investors

In India, the promoters, their family members and close friends owns majority shares in most of the public listed companies. As per National stock exchange fact sheet march 2010, on an average, the promoters hold more than 58 percent of total shares in companies in India. Though the public shareholding is nearly 42 percent, Indian public (small investors) held only 12 percent and the institutional holdings by (Financial Institutions, Banks, Central and State governments, Insurance companies, FIIs , MFs, etc) accounted for 30 percent. Since Indian Public shareholding in listed companies is around 12 percent of the total and these public holding is diverse and dispersed over a large number of small retail investors who are unorganized and who normally do not attend general meetings of the company, and it is the promoters of the company who dominate the board of the company in decision making process. In such a situation it is interesting to know how SEBI's corporate governance norms (clause 49 of listing agreement) are protecting the interest of the large number of retail investors. In this study an attempt is made to find out the small investors perception and awareness on corporate governance practices followed by the listed companies' based on the size of the company.

4.4.3 Sample selection and methodology

To identify the investor's perception and awareness on corporate governance disclosure practices followed by large, mid and small cap companies data is collected from the small investors from state of Goa. Identifying and collecting data on all the small investors was not possible; hence data is collected by representative sample through leading broking firms from 4 major cities of Goa. Non - probability sampling, Snowball technique is used, wherein respondents are identified through referral network. Initially attempt was made to collect data from all India bases through the investors associations which are registered with SEBI. Accordingly the addresses of all investors associations were identified and mail was sent requesting opinion of members but response was very poor so researcher has to rely on the investors residing in Goa state only. For collection of investor's perception a well structured questionnaire and web page was designed based on investor's rights and corporate governance disclosure practices followed by the listed companies. All together 300 hundred investors were contacted and out of that only 238 valid responses were received. The data collected have been transformed into tables and percentage analyses and further Chi-square statistical test, Kruskal- Wallis test has been used to test the significance difference in investor's perception between the three categories of companies and secondly Chi-Square test of goodness of fit is used to test the significance on investor's awareness on different aspects of corporate governance disclosure practices. Following hypothesis are tested.

Hypothesis 1 - Retail investors are not aware about various aspects of corporate governance practices.

Hypothesis 2– There is no significant difference in investor perception on corporate governance disclosure practices of large, mid and small cap companies.

4.4.4 Sample profile

4.4.4.1 Location of respondent

Table 4.43 : Location wise distribution of respondents

Sr. no.	Location of respondent	Number of respondents	Percentage
1	MARGAO	80	33.6
2	PANJIM	52	21.8
3	MAPUSA	27	11.3
4	PONDA	10	4.2
5	Others	69	29.0
6	Total	238	100.0

(Source: Researcher's compilation)

Majority of the respondent 80 (34%) are form Margao followed by 69 (29%) respondent form other parts of Goa, 53 (21%) are from Panjim and 27(11 %) are form Mapusa and 10 are from Ponda.

4.4.4.2. Category of investors

Table 4.44 : Different categories of investors

Sr. no.	Category of investors	Number of respondents	Percentage
1	Large cap	22	09.2
2	Mid cap	44	18.5
3	Small cap	00	00.0
4	Large and mid	42	17.6
5	Large and small	00	00.0
6	Mid and small	15	06.3
7	All three	115	48.3
	Total	238	100

(Source: Researcher's compilation)

Out of the total 230 respondent 115 (48) percent are investing in all the three categories of shares followed by 44 (18.5%) investors are only investing in mid cap stocks and 42 (17.6%) respondent are investing in large and mid cap stocks. around 9 percent of the respondent are investing only in large cap shares and it is interesting to know that not a single respondent is investing only in small cap stocks and majority of respondents prefer mid cap stock over the large and small cap stocks.

4.4.5 Results and Discussion

Attempt has made to see the investor's perception and awareness on corporate governance disclosure practices followed by listed companies based on size of the company (large mid and small cap). For this purpose investors were asked questions on mandatory requirements to fulfill of the company towards its shareholders. Area covered includes whether investor receives notice of the annual general meeting together with financial statement, investors attendance at annual general meeting, voting at the meeting, whether investor receives and deposits postal ballot after casting his vote on resolution copy received from the company, complaints related to dividends, deprival of corporate benefit such as right issue and bonus issue, difficulty in transfer of shares and safety of investments. Similarly respondents were asked about their awareness on mandatory and non- mandatory corporate governance disclosure practices followed by listed companies and area covered is composition of directors on the board, audit committee, shareholders grievance committee, remuneration committee, delisting of company for non compliance, holding company relation with subsidiary company, additional disclosure and promoters shareholding pattern.

4.4.5.1 Notice of annual general meetings

Every listed company at the end of financial year have to conduct annual general meeting to approve the annul financial statements by the shareholders of the company for that matter copy of notice of the meeting together with annual financial statement to be sent to the residential address of the investors. In order to see how far companies are compliant to in sending financial statement and notice of annual general meeting to the shareholders, respondent views are collected on this matter based on the category of the company.

Table 4.45 : Company wise distribution of respondents responses on notice of the annual general meeting

Receive notice of AGM	Large cap		Mid cap		Small cap	
	Number of respondent	%	Number of respondent	%	Number of respondent	%
Yes	179	100	204	94	85	65
No	Nil	00	12	06	45	35
Total	179	100.0	216	100.0	130	100.0

(Source: Researcher's compilation)

Of the total respondent who are investing in large cap companies almost everyone has responded positively to the question with regard to receipt of notice of annual general meetings and incase of mid cap companies only 6 percent respondent have complaint of non receipt of notice where as in case of small cap 35 percent of respondent have not received the notice.

4.4.5.2 Attendance at annual general meetings meeting of the company

Annual general meeting of the company are held once in a year mainly to approve financial statements and to amend article of associations, memorandum of association of the company and to appoint and re-appoint and approve the appointment of the board of directors of the company. It is the only place where in shareholders can take part in discussion on policy matters and also can raise concern if any on specific issues. Table 4.46 shows that that out of 238 respondents 90 percent of the investors are not attending annual general meeting of the company which shows lack of investors interest in participating the policy decisions of the company. One of the reasons for poor response for attendance is that of distance the investor has to travel to attend the meeting, as most of the companies are having their AGM in major cities.

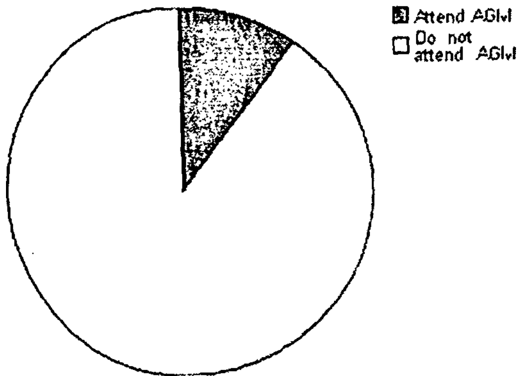


Table 4.46 : Attendance at meeting of respondents

Attendance at AGM	Number of respondents	Percentage
Yes	24	10.1
No	214	89.9
Total	238	100

(Source: Researcher's compilation)

4.4.5.3 Participation in voting at annual general meeting

The next question asked to the respondent was about participating in voting on resolutions passed in the annual general meeting, finding shows that very few number of respondent (10 percent) who attend annual general meeting, all are not taking part in voting, of the 24 investors who have attended the annual general meeting only 18 respondent have taken part in voting.

Table 4.47 : Number of Shareholders take part in voting

Take part in voting	Number of respondent	Percentage
Yes	18	75
No	6	25
	24	100

(Source: researcher's compilation)

4.4.5.4 Postal ballot and casting of vote

Many companies whenever they want to take shareholders assent for any policy decision and to conduct annual general meeting is not feasible, company sends postal ballot papers to the investors to get investors response. Respondents response on how many of them receive postal ballot and after receiving how many of them send the postal ballot after casting of vote shows very poor response.

Table 4.48 : Company wise distribution of respondents response on postal ballot

Receive postal ballot	Large cap		Mid cap		Small cap	
	Number of respondent	%	Number of respondent	%	Number of respondent	%
Yes	179	100	182	84	63	48
No	Nil	00	34	16	67	52
Total	179	100.0	216	100.0	130	100.0

(Source: researcher's compilation)

Table 4.49. Company wise distribution of respondents response on casting of vote in case of postal ballot

Casting of vote (postal ballot)	Large cap		Mid cap		Small cap	
	Number of respondent	%	Number of respondent	%	Number of respondent	%
Yes	30	17	38	21	06	10
No	149	87	144	79	57	90
Total	179	100.0	182	100.0	63	100.0

(Source: researcher's compilation)

Analysis of results shows that respondents in case of large cap companies have confirmed that all of them have received postal ballot where as in case of mid cap companies 84 percent respondents have confirmed and in case of small cap companies only 48 percent of respondents have confirmed of receiving postal ballot. In case of sending back of postal ballot after casting of vote results shows that investors are not much interested in casting their vote in decision making process. In case of large cap stocks only 17 percent investors have sent postal ballot back and incase of mid cap it is 21 percent comparatively better than large cap investors and in case of small cap stocks it is just mere 10 percent. This shows that investors are not showing any interest in decision making process.

4.4.5.5 Receipt of dividend and corporate benefit from invested company

Divided declared and approved at annual general meetings of the company has to be sent to the residence of the investors or to be directly credited to the saving bank account of the investors. Similarly corporate benefit announcement such as bonus shares rights issue, buyback of share are to be intimated to the investors and warrants are to be sent to the shareholders. In this case respondent were asked about receipt of divided of their invested company and their experience on corporate benefit announcements and receipt of the same.

Table 4.50 : Company wise distribution of respondents response on receipt of dividend

Divided received	Large cap		Mid cap		Small cap	
	Number of respondent	%	Number of respondent	%	Number of respondent	%
Yes	179	100	210	97	102	78
No	00	00	06	03	32	22
Total	179	100.0	216	100.0	130	100.0

(Source: researcher's compilation)

Table 4.51 : Company wise distribution of respondents perception on deprivai of corporate benefit

Deprived of corporate benefit	Large cap		Mid cap		Small cap	
	Number of respondent	%	Number of respondent	%	Number of respondent	%
Yes	21	12	49	23	28	22
No	158	88	167	77	102	78
Total	179	100.0	216	100.0	130	100.0

(Source: researcher's compilation)

In case of dividend from company there are no complaints of respondent who are investing in large cap stocks and incase of mid cap companies only 3 percent respondents have complained about non receipt of dividend and in case of small cap companies, 22 percent of the respondent says that they have not received any divided

from the company. This shows that small cap companies are weak in compliance in services offered to shareholders.

In case of corporate benefit announcement and benefit to shareholders 12 percent of the respondents who invest in large cap said that they have not received the corporate benefit and in case of mid cap companies non receipt percentage is 23 and in case of small cap companies it is slightly lower at 22 percent.

4.4.5.6 Investors complaints reported and solved

Investors face lot of problem related to their investment in companies such as transfer of share, non receipt of dividend, corporate benefits, non receipt of copy of annual financial statement, updating of changed address etc. Here attempt is made to find out investors opinion on complaints handling by the companies across the different size of the company and how many of the complaints reported have been solved by the company.

Table 4.52 : Company wise distribution complaint reported by the investors

Complaints reported	Large cap		Mid cap		Small cap	
	Number of respondent	%	Number of respondent	%	Number of respondent	%
Yes	18	10	24	11	48	37
No	161	90	192	89	68	63
Total	179	100.0	216	100.0	130	100.0

(Source: researcher's compilation)

Table 4.53. Company wise distribution of respondents perception on complaints solved

Complaints solved	Large cap		Mid cap		Small cap	
	Number of respondent	%	Number of respondent	%	Number of respondent	%
Yes	18	100	15	63	10	21
No	00	00	09	37	38	79
Total	18	100	24	100	48	100

(Source: researcher's compilation)

All most 37 percent of the respondent who invest in small cap companies have complaints against the small cap companies and 11 percent have complaint against the mid cap companies and in case of mid cap companies only 10 percent of the respondent had complaints.

As regard to solving of investors complaints respondent are of the opinion that large cap have solved all the reported complaints and in case of midcap 37 percent respondent are not happy with mid cap companies and in case of small cap companies it is 79 percent of the respondent are not happy with regard to solving of investors complaints. This shows that mid and small cap companies have failed in solving investors complaints in timely manner.

4.4.5.7 Problems faced in share transfer

Transfer or transmission of share in another area where small investors face lot of difficulties, problems of transfer may be due to verification of signature or may be due to legalities involved but investors have to wait for years to get the share transfer. Investor's opinions are collected with regard to transfer of share across the three categories of companies.

Table 4.54 : Company Wise Distribution Of Respondents Opinion on Share Transfer

Problem in share transfer	Large cap		Mid cap		Small cap	
	Number of respondent	%	Number of respondent	%	Number of respondent	%
Yes	08	4	35	16	38	29
No	171	96	181	84	92	69
Total	179	100	216	100	130	100

(Source: researcher's compilation)

In case of investors who invest in large cap companies only 4 percent respondent said that they have faced problem in transfer, whereas in case of midcap the percentage is 16 and in case of small cap it is 29 percent which shows that number of complaint differ based on the size of the company and its more in case of small cap companies compare to large cap companies.

4.4.5.8 Safety of Investments

Another important area covered is related to safety of investment base on size of the company and respondent were asked about category of companies are safe for investments based on size of the company.

Table 4.55 : Company Wise Distribution Of Respondents Opinion on Safety Of Investment

Response	Large cap		Mid cap		Small cap	
	Number of respondent	%	Number of respondent	%	Number of respondent	%
Yes	187	78.6	153	64.3	39	16.4
No	51	21.4	85	35.7	199	83.6
Total	238	100.0	238	100.0	238	100.0

(Source: researcher's compilation)

In case of safety of investment 78 percent of the respondents of the opinion that large cap stocks are safe for the investments and in case of mid cap companies 64 percent of the respondents have opinion that mid cap stocks are safe, whereas small cap companies only 16 percent of respondent said small cap stocks are safe for investments.

4.4.5.9 Analysis of results by Chi-Square Kruskal-Wallis H test on size of the company and investor

Table 4.56 : Kruskal-Wallis H Test For Size Of Company And Investor Relations

Investor protection variables	Chi-square	df.	Asymp. Sig.
Annual general meeting notice	258.000	2	0.000
Postal ballot	231.000	2	0.000
Casting of vote in case of postal ballot	47.000	2	0.000
Divided Received	247.00	2	0.000
Deprived of corporate benefit	56.000	2	0.000
Complaints reported	57.000	2	0.000
Complaints solved	183.000	2	0.000
Problem faced in transfer	48.000	2	0.000
Safety of investments	158.00	2	0.000

(Source: researcher's compilation)

Chi-Square Krusal –Wallis H test is used to test the difference if any between large cap mid cap and small cap companies and respondents opinion on companies' duty towards investor's relations and investor's rights. Results shows that there is significance difference in compliance of investor relation and rights based on size of the companies with regard to sending of notice to shareholders, postal ballot to shareholders, payment of divided to shareholders, deprival of corporate benefit, complaint reported and solved against companies, problems faced in share transfer and safety of investors. Similarly there is significance difference is found in case of

different category of investors in case of investors casting of vote in case of postal ballot. Based on above findings null hypothesis "there is no significant difference in investor perception on corporate governance disclosure practices of large, mid and small cap companies" is rejected.

4.4.6 Investors Awareness on corporate governance disclosure practices

To study the awareness of investors on various aspects of corporate governance disclosure practices question on various aspects of corporate governance disclosure practices were asked.

4.4.6.1 Awareness on corporate governance

Transparency in the governance can lead to investors' protection, for that matter investors are suppose to read the report on corporate governance practices of the company and understand the governance practices followed by the company to safeguard the interest. If investor is aware about governance practices of the company than he can choose between good and bad company for his safety of investment. Analysis of data on awareness of corporate governance shows that only 106 respondents (44.5 percent) respondent are aware about corporate governance whereas 132 (55.5 percent) are not aware about corporate governance disclosure practices. Similarly out of 106 respondents, who are aware of corporate governance only 58 percent of respondents are have shown interest in understanding the governance practices and 42 percent of the respondent are not interested in reading the report.

Table 4.57 : Respondents awareness on corporate governance practices

Response of respondent	Aware of corporate governance		Read corporate governance report	
	Number of respondents	Percentage	Number of respondents	Percentage
Yes	106	44.5	61	58
No	132	55.5	45	42
Total	238	100	106	100

(Source: researcher's compilation)

4.4.6.2 Awareness on composition of board of directors

Board of directors are the custodian on the assets of the shareholders and specially the number of independent directors on the board of the company who are not attached to the company and promoters of the company and it is also interesting to know what is composition of board (executive, non executive and independent) in the company. Here attempt was made to understand the awareness of retail investors on composition of the member on the board. Survey data shows that 126 (53 percent) of the total respondent are not aware of the composition of the board of the directors and only 47 percent are aware about the composition.

Table 4.58. Respondents awareness on composition of board of directors

Compositions of Board of directors	Number of respondent	%
Yes	112	47.1
No	126	52.9
Total	238	100.0

(Source: researcher's compilation)

4.4.6.3 Awareness on committees of the board

As per clause 49 of listing agreement of every company should have audit committee consist of board members where in two third members of the committee should be independent directors to oversee the financial statements and this committee has to review the financial statement on quarterly basis and audit committee plays important role in looking in to the financial wellbeing of the company. Similarly every company should have shareholders grievance committee with non executive director as a chairman to oversee the complaints of the shareholders and answering them to the satisfaction of the shareholders. As non mandatory requirement company can have remuneration committee deal with fixation of remuneration of board of directors of the company. Respondents were asked about the awareness on this committee

Table 4.59 : Respondents awareness on committees of the board

Awareness on composition of various committees	Audit committee		SHG committee		Remuneration committee	
	Number of respondent	%	Number of respondent	%	Number of respondent %	%
Yes	112	47	86	36.1	33	13.9
No	126	53	152	63.9	205	86.1
Total	238	100	238	100.0	238	100.0

(Source: researcher's compilation)

Findings of the survey show that retail investor's awareness is very poor with regard to all the three committees. In case of audit committee composition only 47 percent respondent are aware, where as 53 percent respondent are not aware about the audit committee. Similarly 63 percent of the respondents are not aware about shareholders grievance committee and only 36 percent respondent are aware about

shareholders grievance committee and in case of remuneration committee only 14 percent of respondents are aware of remuneration committee.

4.4.6.4 Delisting of shares for non compliance of clause 49

Even after completions of three years of mandatory compliance of listing agreement of clause 49 of listing agreement many companies are defaulters in compliance of listing agreement but till date not a single company has been delisted by stock exchanges for non compliance of clause 49 of listing agreement. In this regard investor's responses are very important accordingly respondents were asked their view on delisting and majority (65 percent) of the respondents are of the opinion that company should be delisted for non compliance.

Table 4.60 Respondent perception on delisting of shares for non compliance of listing agreement

Delisting for non compliance	Number of respondent	%
Yes	156	65.5
No	82	34.5
Total	238	100.0

(Source: researcher's compilation)

4.4.6.5 Business with subsidiary company

Another area of concern is that of corporate doing business with subsidiary companies. When companies are doing business with subsidiary or holding company there is a possibility of overvaluation or undervaluation of transaction depends on the purpose of the transaction. Respondents were asked the about whether holding company should be allowed to do business with its subsidiary company and fining shows 53 percent of the respondents are of the opinion that company should not be allowed to do business with its subsidiary company and 44 percent were of the

opinion that there is no problem in holding company doing business with subsidiary company.

Table 4.61 : Response on should company allowed to do business with subsidiary company

Company should not be allowed to do business with subsidiary company	Number of respondent	%
Yes	105	44.1
No	127	53.4
Do not know	6	2.5
Total	238	100.0

(Source: researcher's compilation)

4.4.6.6. Additional disclosure in annual report of the company on corporate governance

About more disclosure in corporate governance report majority of the respondents (93 percent) are of the opinion that there is a need of more disclosure on corporate governance disclosure practices to protect and make aware the small investors.

Table 4.62. Responses on more disclosure in corporate governance report

More disclosure on CG in annual report	Number of respondent	%
Yes	222	93.3
No	16	6.7
Total	238	100.0

(Source: researcher's compilation)

4.4.6.7 Promoter's shareholding in company

Another area of concern on corporate governance is that in case of many companies in India promoters are holding more than 75 percent shares and even Securities and Exchange Board of India has issued time line to bring down promoters shareholding below 75 percent in such companies in phased manner. We asked investor views on this regard, seventy percent of the respondent are of the opinion that if promotes shareholding is more than 75 percent than it may work against the interest of the small investors.

Table 4.63 : Responses against promoters holding more than 75 percent shareholding in the company

Promoters holding in company more than 75 percent will work against interest of small investors	Number of respondent	%
Yes	168	70.6
No	70	29.4
Total	238	100.0

(Source: researcher's compilation)

Table 4.64 : Chi-Square test of goodness of fit on Investors awareness

Awareness Variable	Chi-square	Df.	Asymp Sig.
Overall awareness on corporate governance	2.840	1	0.092
Read corporate governance report	56.538	1	0.000
Board of directors compositions	89.563	1	0.000
Audit committee	0.824	1	0.364
Shareholders grievance committee	18.303	1	0.000
Remuneration committee	124.303	1	0.000
For delisting of shares	23.008	1	0.000
Business with subsidiary company	104.731	2	0.000
More disclosure	178.303	1	0.000
Objection to Promoters shareholding above 75 %	40.353	1	0.000

(Source: researcher's compilation)

Table 4.64 shows the results on various aspects of investor awareness on corporate governance disclosure practices, such as composition of board, composition of audit committee, shareholders grievance committee and remuneration committee is negligible. Hence null hypothesis "Retail investors are not aware about various aspects of corporate governance practices" is accepted in most of the items of corporate governance awareness and null hypothesis is rejected only in case of overall awareness on corporate governance and audit committee null hypothesis is accepted.

CHAPTER V

CORPORATE GOVERNANCE PRACTICES AT INTERNATIONAL LEVEL

5.1 Introduction

In this chapter attempt is made to study the corporate governance disclosure practices followed at international level. For this purpose corporate governance code followed by United States and China are selected and attempt is made to see how far Indian corporate governance code differ from the United States and China code of corporate governance. United States being most advanced and number one country in the world based on gross domestic production, it is interesting to know what kinds of corporate governance practices are mandated by Stock Exchange Commission to safeguard the interest investor community. Secondly China which is one of the fastest growing economy in terms of GDP and has already left behind Japan is selected to study the corporate governance practices followed to protect the investor community.

5.2 Corporate governance in United States

Corporate governance in the United States has traditionally been a subject of state corporate law, focused on the relative roles and powers of shareholders, the board of directors and corporate officers in relation to corporate action, decision making and oversight of management.

A wave of corporate scandals like Enron, Tyco, and WorldCom led to unprecedented focus by lawmakers on corporate governance in United States. This culminated in the enactment in July 2002 the Sarbanes-Oxley Act, and has been

followed by significant regulation and rule making affecting corporate affairs by the US Securities and Exchange Commission (SEC) as well as market self-regulatory bodies the New York Stock Exchange (NYSE) and NASDAQ.

The basic structure of corporate governance in the United States has not changed due to enactment of Sarbanes-Oxley Act. The day-to-day management of a corporations is still in the hands of the management, subject to oversight by a board of directors elected by shareholders. However, the principal aim of the reforms has been to establish clear accountability of a public company's chief executive officer (CEO) and chief financial officer (CFO) for the accuracy of the company's public disclosures, and to strengthening and to reinforce the role played by the board of directors as a members of different committees of board in the oversight of corporate management. To this end, the CEO and CFO in a company in the United States must personally certify as to the accuracy of the company's public disclosures, and to its disclosure controls and internal control processes. In addition, the majority of the board of a US companies with a US listing, as well as the entire membership of each of those committees, will be required to be independent under new independence standards (with a heightened independence standard mandated by Sarbanes-Oxley applying to audit committee members), and a best practice is emerging that a substantial majority of the board be independent.

Audit committee

The role of the audit committee, in particular, has been significantly strengthened and expanded. All members of the audit committee must be independent under a more stringent Sarbanes-Oxley definition of 'independence'. In addition to certain stock exchange financial literacy requirements, the SEC has adopted a

disclosure requirement as to whether a financial expert sits on the company's audit committee. There is a clear sense among public company directors that the personality and expertise of the chairman of the audit committee are crucial to the system of corporate governance.

Company auditor

One of the cornerstones of Sarbanes-Oxley is a focus on the independence of the company's auditor. Sarbanes-Oxley makes it law in the United States that the independent auditor of a US public company ultimately reports to the company's audit committee, not its management. Further, to avoid conflicts of interest on the part of the audit firm, the provision of many categories of non-audit services to the client is now prohibited, while any permitted category of non-audit service must be pre-approved by the audit committee. The company is required to break out and disclose the amounts paid to the auditor for audit and non-audit services. To reinforce this independence theme and further avoid entrenched relationships with management, the audit partner and other key personnel of that firm engaged with the client must rotate every five years.

5.2.1 The Sarbanes-Oxley Act of 2002 (SOX)

The Sarbanes-Oxley Act of 2002 (SOX) introduced in the United States of America in the aftermath of Enron, has fundamental governance implications for listed American companies, their foreign subsidiaries and foreign companies that have US listings. It applies to all Securities and Exchange Commission (SEC) registered organizations, irrespective of where their trading activities are geographically based. SOX is different from the UK's Combined Code, and from codes of corporate

governance adopted elsewhere in the OECD, in that compliance is mandatory, rather than 'comply or explain'. This aspect, combined with significant potential sanctions for individual directors, is driving SOX compliance requirements through the supply chain.

Important provisions of SOX 2002

Public Company Accounting Oversight Board

Establishes the Public Company Accounting Oversight Board to:

a. Oversee the audit of public companies that are subject to the securities laws;
b. Establish audit report standards and rules; and
c. Investigate, inspect and enforce compliance relating to public accounting firms, associated persons, and the obligations and liabilities of accountants.

1. The Board shall consist of five members, not more than two of whom shall be or have been Certified Public Accountants.
2. Makes it unlawful for any public accounting firm not registered with the board to prepare or issue or participate in the preparation of any audit report with respect to any issuer.
3. The Board shall establish by rule quality control and ethics standards to be used by registered public accounting firms in the preparation and issuance of audit reports.
4. The Board shall conduct inspections to assess the degree of compliance of each registered public accounting firm with the Act, the rules of the Board and the rules of the SEC.

5. The Board is empowered to conduct investigations of acts or practices or omissions to act by a registered public accounting firm that may violate:
6. Intentional or knowing or repeated negligent violations of the Act or rules of the Board or the securities laws relating to audit reports may result in penalties as follows:
   a. Temporary suspension or permanent revocation of registration;
   b. Temporary or permanent limitation on the activities, functions, or operations of such firm or person
   c. Civil penalties of not more than $750,000 for a natural person or $15,000,000 for any other person. Other penalties include censure and additional professional education and training.
7. The SEC is granted responsibility for general oversight of the board, including the power to:
   a. Approve proposed rules of the board;
   b. Review of Board actions ;and
   c. Modify or rescind the board's authority.
8. The board shall be established as a non-profit corporation funded by registration and annual fees collected from each registered public accounting firm and annual accounting support fees assessed to issuers.

II. Auditor Independence

1. Registered public accounting firms that perform any audit for an issuer are prohibited from (unless exempted) providing to that issuer, contemporaneously with the audit, any non-audit service including:

a. Bookkeeping;

b. Financial information systems design and implementation;

c. Appraisal or valuation services, fairness opinions;

d. Actuarial services;

e. Internal audit outsourcing services;

f. Management of human resource functions;

g. Investment banking services; or

h. Legal services.

2. All auditing services and non-audit services shall be preapproved by the audit committee.

3. No person can act as the lead auditing partner for longer than five consecutive years.

4. A registered public accounting firm may not perform an audit if any of the issuer's top executives were employed by that accounting firm during the previous year.

5. The Comptroller General of the United States shall study and review the potential effects of requiring mandatory rotation of registered public accounting firms and shall submit a report within a year of passage of the Act.

III Corporate Responsibility

1. Audit Committee Standards:

   a. Makes the Audit Committee responsible for the appointment, compensation and oversight of the work of any registered public accounting firm employed;

b. Requires that each member of the audit committee be a member of the board of directors of the issuer and otherwise independent;

c. Requires each audit committee to establish procedures for the receipt, retention and treatment of complaints received concerning accounting, internal accounting controls or auditing matters as well as the confidential anonymous submission by employees concerning questionable accounting or auditing matters.

2. Requires the principal executive officer and the principal financial officer to certify with respect to each annual or quarterly report of the issuer:

   a. That the signing officer has reviewed the report; and

   b. That the report fairly presents, in all material respects the operations and financial condition of the issuer.

3. CEOs and CFOs must reimburse their companies for any bonuses, equity-based compensation, and any profits realised from the sale of securities of the issuer during the one-year period following an accounting restatement due to material non-compliance.

4. Prohibits insider trades during pension fund blackout periods when at least 50% of beneficiaries are prohibited from trading. Blackout periods require 30 days' prior notice.

5. Requires the SEC to issue rules setting forth minimum standards of professional conduct for attorneys appearing and practicing before the SEC including:

   a. Requiring an attorney to report evidence of a material violation of securities law or breach of fiduciary duty or similar violation by the

issuer or any agent thereof to the general counsel or CEO of the issuer; and

b. If the general counsel or officer does not appropriately respond to the evidence (adopting, as necessary, appropriate remedial measures or sanctions with respect to the violation), requiring the attorney to report the evidence to the audit committee or to another committee of the board of directors comprised solely of directors not employed by the issuer, or to the board of directors.

IV Enhanced Financial Disclosures

1. Disclosure of all material off balance sheet transactions and relationships that may have a material effect on the financial condition of the issuer; and
2. The presentation of pro forma financial information in a manner that is not misleading, and which is reconcilable with the financial condition of the issuer under generally accepted accounting principles.
3. Prohibits an issuer from making a personal loan (with certain exceptions) to or for any director or executive officer.
4. Requires principal stockholders and directors and officers to disclose changes in ownership of securities based swap agreements within two business days.
5. Requires the SEC to prescribe rules mandating the inclusion of an internal control report and assessment within required annual reports. Requires a registered public accounting firm that issues the audit report

to attest to and report on, the assessment made by corporate management.

6. Requires the SEC to issue rules to requiring each issuer to disclose whether or not, and if not, the reason therefore, such issuer has adopted a code of ethics for senior financial officers.

7. Requires each issuer to disclose on rapid and current bases such additional information concerning material changes in the financial conditions or operations.

V Analyst Conflict of Interest

1. Requires the SEC to adopt rules designed to address conflicts of interest that may arise when securities analysts recommend equity securities including:

   a. Restricting the pre-publication clearance or approval of research reports by persons either engaged in investment banking activities, or not directly responsible for investment research;

   b. Limiting the supervision and compensatory evaluation of securities analysts to officials who are not engaged in investment banking activities;

   c. Prohibiting a broker or dealer involved with investment banking activities from retaliating against a securities analyst as a result of an unfavorable research report that may adversely affect the investment banking relationship of the broker or dealer with the subject of the research report; and

   d. Establishing safeguards to assure that securities analysts are separated within the investment firm from the review, pressure, or oversight of

those whose involvement in investment banking activities might potentially bias their judgment or supervision.

2. Directs the SEC to adopt rules requiring securities analysts and broker/dealers to disclose specified conflicts of interest.

VI Studies and Reports

1. Mandates studies and reports to Congress by:
   a. The Comptroller of the Currency regarding the consolidation of public accounting firms and the impact on the capital formation and securities markets;
   b. The SEC regarding the role and function of credit rating agencies in the operation of the securities markets; and
   c. The SEC regarding violators and violations and enforcement actions.

VII Corporate and Criminal Fraud Accountability

1. Prohibits knowingly destroying, altering, concealing or falsifying records with the intent to obstruct or influence an investigation in a matter in federal jurisdiction or bankruptcy and imposes a penalty of a fine or not more than 20 years in prison or both.
2. Mandates that any accountant who conducts an audit shall maintain all work papers for five years and instructs the SEC to promulgate rules regarding record retention. Imposes a penalty for willful violation of a fine or 10 years in prison or both.

3. Provides a private right of action for claims of fraud, deceit, manipulation or contrivance in contravention of a regulatory requirement concerning the securities laws and imposes a statute of limitations on such claims of:
    a. Two years after discovery of facts constituting the violation; or
    b. Five years after such violation.
4. Provides whistleblower protection against retaliation and discrimination for employees who assist in proceedings involving alleged securities law violations.
5. Imposes fines or imprisonment of not more than 25 years, or both on whoever knowingly defrauds or attempts to defraud shareholders of publicly traded companies.

VIII White Collar Crime Penalty Enhancements

1. Amends federal criminal law to increase penalties for:
    a. Attempts and conspiracies to commit criminal fraud offenses;
    b. Mail and wire fraud; and
    c. Employee Retirement Income Security Act of 1974(ERISA) violations.
2. Adds a new section to the criminal statutes requiring each periodic report containing financial statements filed by an issuer to be accompanied by a written statement of the CEO and CFO of the issuer certifying that:
    a. The periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
    b. The information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

3. Imposes criminal penalties of fines up to $1 million or not more than 10 years in prison, or both, for making a certification knowing it is false and a fine of $5 million and up to 20 years in prison, or both, for willfully making the certification knowing that it is false.

IX Corporate Tax Returns

1. Expresses the sense of the Senate that the Federal Income Tax Return of a corporation shall be signed by the CEO of such corporation.

X Corporate Fraud Accountability

1. Imposes fines or imprisonment of not more than 20 years, or both for whoever knowingly alters, destroys, mutilates or conceals a record, document or other object with the intent to impair the object's integrity or availability for use in an official proceeding.
2. Grants the SEC authority to petition the courts for an escrow of extraordinary payments that may be made to any director, officer, and employee, or agent during the course of an investigation involving potential violations of federal securities laws.
3. Increases penalties under the Exchange Act to $5 million or imprisonment of not more than 20 years and increases the fine to $25 million for persons other than a natural person. The foregoing summary report of the enacted legislation is not legal advice and should not be acted upon without professional counsel.

5.3 Code of Corporate Governance for Listed Companies in China

China Securities Regulatory Commission and State Economic and Trade Commission on January 7, 2001 issued The Code of corporate governance for listed companies in China and code is applicable to all listed companies within the boundary of the People's Republic of China.

In accordance with the basic principles of the Company Law, the Securities Law and other relevant laws and regulations, as well as the commonly accepted standards in international corporate governance, the Code of Corporate Governance for listed companies is formulated to promote the establishment and improvement of modern enterprise system by listed companies, to standardise the operation of listed companies and to bring forward the healthy development of the securities market. The basic principles of corporate governance of listed companies in China, is for the protection of investors' interests and rights, basic behavior rules and moral standards for directors, supervisors, managers and other senior management members of listed companies.

Listed companies shall act in the spirit of the Code in their efforts to improve corporate governance. Requirements of the Code shall be embodied when listed companies formulate or amend their articles of association or rules of governance. The Code is the major measuring standard for evaluating whether a listed company has a good corporate governance structure, and if major problems exist with the corporate governance structure of a listed company, the securities supervision and regulation authorities may instruct the company to make corrections in accordance with the Code.

Qiao Liu (2005) opined that corporate governance model adopted in China can be best described as a control based model, in which the controlling shareholders (in

most cases, the state) employ all kinds of governance mechanism to tightly control the listed firms. It has been found that concentrated ownership structure, management-friendly boards, inadequate financial disclosure, and inactive take-over markets have been the governance norms in China.

Corporate governance code of China is mostly concentrated on following 7 areas

1. Shareholders and shareholders' meetings
2. Listed company and its controlling shareholders
3. Directors and board of directors
4. The supervisors and the supervisory board
5. Performance assessments and incentive and disciplinary systems
6. Stakeholders
7. Information disclosure and transparency

5.3.1 Highlights of Important provisions of China corporate governance code

1. Shareholders and shareholders' meetings

I Rights of shareholders

a) Shareholders shall enjoy the legal right stipulated by laws and company shall ensure fair treatment towards all shareholders and establish efficient channels of communication with its shareholders to participate in major matters of the company.

b) Shareholders shall have the right to protect their interests through civil litigation.

c) The directors, supervisors and managers of the company shall bear the liability of compensation in cases where they violate laws and cause damages to the company during the performance of their duties and Shareholders shall have

the right to request the company to sue for such compensation in accordance with law.

II. Rules for shareholders' meetings

a) A listed company shall set out principles and voting procedures for shareholders meetings in its articles of association and Company shall make every effort to increase the attendance at shareholders' meetings.

b) Shareholders can appoint a proxy to vote on their behalf.

c) The board of directors, independent directors and qualified shareholders may solicit for the shareholders' right to vote in shareholders' meetings.

d) Institutional investors shall play a role in the appointment of company directors, compensation and supervision of management and major decision-making processes.

III. Related party transactions

a) Written agreements shall be entered into for related party transactions among a listed company and its connected parties. Such agreements shall observe principles of equality, voluntarily, and making compensation for equal value.

b) The contents of such agreements shall be disclosed.

c) Efficient measures shall be adopted by a listed company to prevent its connected parties from interfering with the operation of the company and damaging the company's interests by monopolizing purchase or sales channels.

d) The company shall adopt efficient measures to prevent its shareholders and their affiliates from misappropriating or transferring the capital, assets or other resources of the company through various means.

2. Listed Company and Its Controlling Shareholders

I. Behavior rules for controlling shareholders

a) During the restructuring and reorganisation of a company that plans to list, the controlling shareholders shall observe the principle of "first restructuring, then listing", and shall emphasize the establishment of a reasonably balanced shareholding structure.

b) The controlling shareholders shall sever the company's social functions and strip out nonoperational assets. Controlling shareholders' remaining enterprises or institutions that provide services for the major business of the listed company may be restructured into specialised companies. Remaining enterprises not capable to continue operation shall exit the market, through such channels as bankruptcy.

c) The controlling shareholders shall support the listed company to further reform labour, personnel and distribution systems.

d) The controlling shareholders owe a duty of good faith toward the listed company and other shareholders.

e) The controlling shareholders shall nominate the candidates with professional knowledge for directors and supervisors.

II. Independence of listed company

a) A listed company shall be separated from its controlling shareholders in such aspects as personnel, assets and financial affairs shall be independent and shall practice independent business accounting, and bear risks and obligations.

b) The personnel of a listed company shall be independent from the controlling shareholders.

c) The management, financial officers, sales officers and secretary of the board of directors of the listed company shall not take posts other than as a director in a controlling shareholder's entities.

d) Controlling shareholders and their subsidiaries shall not engage in the same or similar business as that of the listed company.

3. Directors and Board of Directors

I. Election procedures for directors

a) A company shall establish a standardised and transparent procedure for director election in its articles of association, so as to ensure the openness, fairness, impartialness and independence of the election.

b) The election of directors shall fully reflect the opinions of minority shareholders. A cumulative voting system shall be earnestly advanced in shareholders' meetings for the election of directors.

c) Listed companies that are more than 30% owned by controlling shareholders shall adopt a cumulative voting system.

d) Stipulate the rules for the term of the directorship, the director's liabilities in case of breach of laws, regulations, and the compensation from the company in case of early termination of the appointment agreement for cause by the company.

II. The duties and responsibilities of directors

a) Directors shall faithfully, honestly and diligently perform their duties for the best interests of the company and all the shareholders.

b) In cases where the resolutions of board of directors violate laws and cause losses to the listed company, directors responsible for making such resolutions shall be liable for compensation, except those proved to have objected and the objections of whom have been recorded in the minutes.

c) Listed company may purchase liability insurance for directors. Such insurance shall not cover the liabilities arising in connection with directors' violation of laws, regulations or the company's articles of association.

III. Duties and composition of the board of directors

a) The number of directors and the structure of the board of directors shall be in compliance with laws and regulations.

b) The board of directors shall possess proper professional background and adequate knowledge and skill.

c) The board of directors shall be made accountable to shareholders.

IV. Rules and procedure of the board of directors

The board of directors shall meet periodically and shall convene interim meetings in a timely manner when necessary. Each board of directors' meeting shall have a pre-decided agenda and the minutes of the board of directors' meetings shall be complete and accurate.

V. Independent Directors

a). An independent director may not hold any other position apart from independent director in the listed company.

b) The independent directors shall bear the duties of good faith and due diligence toward the listed company and all the shareholders.

c) Relevant laws and regulations shall be complied with for matters such as the qualifications, procedure of election and replacement, and duties of independent directors

VI. Specialised committees of the board of directors

a) The board of directors of a listed company may establish a corporate strategy committee, audit committee, nomination committee, remuneration and appraisal committee.

b) All board committees shall be chaired by an independent director, and independent directors shall constitute the majority of the committees.

c) At least one independent director from the audit committee shall be an accounting professional.

d) Audit committee is responsible to recommend the engagement or replacement of the company's external auditing institutions, to review the internal audit system and its execution, to oversee the interaction between the company's internal and external auditing institutions, to inspect the company's financial information and its disclosure and to monitor the company's internal control system.

4. The Supervisors and the Supervisory Board

I. Duties and responsibilities of the supervisory board

a) The supervisory board of a listed company shall be accountable to all shareholders.

b) The supervisory board shall supervise the corporate finance, the legitimacy of directors, managers and other senior management personnel's performance of duties, and shall protect the company's and the shareholders' legal rights and interests.

c) The record of the supervisory committee's supervision as well as the results of financial or other specific investigations shall be used as an important basis for performance assessment of directors, managers and other senior management personnel.

d) The supervisory board may report directly to securities regulatory authorities and other related authorities as well as reporting to the board of directors and the shareholders' meetings in case of violations of laws by directors and managers.

II. The composition and steering of the supervisory board

a) Supervisors shall have professional knowledge or work experience in such areas as law and accounting.

b) The supervisory board shall ensure its capability to independently and efficiently conduct its supervision of directors, managers and other senior management personnel and to supervise and examine the company's financial matters.

c) The supervisory board may ask directors, managers and other senior management personnel, internal auditing personnel and external auditing

personnel to attend the meetings of supervisory board and to answer the questions that the supervisory board is concerned with.

5. Performance Assessments and Incentive and Disciplinary Systems

I. Performance assessment for directors, supervisors and management personnel

a) A listed company shall establish fair and transparent standards and procedures for the assessment of the performance of directors, supervisors and management personnel.

b) The evaluation of the directors and management personnel shall be conducted by the board of directors or by the remuneration and appraisal committee of the board.

c) The evaluation of the performance of independent directors and supervisors shall be conducted through a combination of self-review and peer review.

d) The board of directors shall propose a scheme for the amount and method of compensation for directors to the shareholders' meeting for approval.

e) The board of directors and the supervisory board shall report to the shareholder meetings the performance of the directors and the supervisors, the results of the assessment of their work and their compensation, and shall disclose such information.

II. Selection of management personnel

a) The recruiting of management personnel shall, to the extent possible, is carried out in a fair and transparent manner, through domestic and international markets for professional management, making full use of intermediary agencies.

b) Employment agreements shall be entered into by a listed company and its management personnel to clarify each party's rights and obligations.

c) The appointment and removal of managers shall be in compliance with legal procedure and shall be publicly announced.

III. Incentive and disciplinary systems for management

a) To attract qualified personnel and to maintain the stability of management, company shall establish rewarding systems that link the compensation for management personnel to the company's performance and to the individual's work performance.

b) The performance assessment for management personnel shall become a basis for determining the compensation and rewarding arrangements for the person reviewed.

c) The results of the performance assessment shall be approved by the board of directors, explained at the shareholders' meetings and disclosed.

6. Stakeholders

a) A listed company shall respect the legal rights of banks and other creditors, employees, consumers, suppliers, the community and other stakeholders.

b) A company shall provide necessary information to banks and other creditors to enable them to make judgments and decisions about the company's operating and financial situation.

c) A company shall encourage employees' feedback regarding the company's operating and financial situations and important decisions affecting

employee's benefits through direct communications with the board of directors, the supervisory board and the management personnel.

d) While maintaining the listed company's development and maximising the benefits of shareholders, the company shall be concerned with the welfare, environmental protection an public interests of the community in which it resides, and shall pay attention to the company's social responsibilities.

7. Information Disclosure and Transparency

I. Listed companies' ongoing information disclosure

A listed company shall truthfully, accurately, completely and timely disclose information as required by laws and equal access to all shareholders through economical, convenient and speedy access to information through various means (such as the Internet)

II. Disclosure of information regarding corporate governance

A listed company shall disclose following information regarding its corporate governance

a) The members and structure of the board of directors and the supervisory board;

b) The performance and evaluation of the board of directors and the supervisory board;

c) The performance and evaluation of the independent directors, including their attendance at board of directors' meetings, their opinions regarding related party transactions and appointment and removal of directors and senior management personnel;

d) The composition and work of the specialised committees of the board of directors;

e) The actual state of corporate governance of the company, the gap between the company's corporate governance and the Code, and the reasons for the gap; and specific plans and measures to improve corporate governance.

III. Disclosure of Controlling Shareholder's Interests

a) A company shall timely disclose detailed information about each shareholder who owns a comparatively large percentage of shares of the company.

b) Disclose in a timely manner, changes in the shareholding of the company.

c) Disclosure of controlling shareholders increase or decrease in shareholding or pledge the company's shares.

5.4. Difference between clause 49 of listing agreement and SOX Act 2002

Public Company Accounting Oversight Board

The major difference between clause 49 and SOX Act is that, in case of SOX there is a provision of setting up of Public Company Accounting Oversight Board which oversees the audit of the company and makes appointment of auditors of the company where as in India board of directors make recommendation of appointment at AGM and shareholders just approves the appointments.

Prohibition of non-audit service

In United States registered public accounting firms that perform any audit for an issuer are prohibited from providing to that issuer, any non-audit service and there

is compulsory rotation of auditors after 5 years. In India such restriction are not applicable to audit firm and there is no concept of rotation of auditors.

Audit committee

To oversee the accounting and financial reporting process we have audit committee in India with minimum three directors and two- third independent directors whereas as per SOX Act there is no restriction on number of directors but audit committee will have only independent directors.

Restriction on publications of research reports

SOX Act Restricts the pre-publication of research reports by persons either engaged in investment banking activities or not directly responsible for investment research to avoid conflicts of interest that may arise when securities analysts recommend equity securities. This type of provisions does not exist in India.

Independent directors

Definition of Independent directors' is wider in scope in clause 49 of listing agreement as compared to SOX Act.

Shareholders grievance committee

As per clause 49 of listing agreement every company in India has to setup shareholders grievance committee under chairmanship of non executive director to look after complaints of the shareholders where as under SOX Act audit committee with all independent directors will look after the shareholders complaints.

Penal provision

Clause 49 of listing agreement provide pecuniary penalty up to Rs. 25 crore on the company for violation of listing agreement. Whereas in case of SOX there is provision which provide for fine and imprisonment of up to $1 million and 10 year for knowingly violation and up to $ 5 million and 20 years for willful violation.

5.5 Difference between clause 49 of listing agreement and China corporate governance code

Dual Board

The basic difference between clause 49 of listing agreement of India and China corporate governance code is that of dual board. In India management is in the hands of board of directors, where as in China corporate governance code mandate for dual board, one is of supervisory level and second is of board of management. The role of supervisory board is to supervise the corporate finance, legitimacy of directors, managers and senior management personnel performance of duties and shall protect the company and shareholders rights. And for day today management is in the hands of management board.

Management committees

In India we have only two mandatory committees of board one is of audit committee and shareholders grievance committee and in case of audit committee we have independent director as a chairman of the audit committee with two third member's independent directors and in case of shareholders grievance committee headed by non – executive directors. Whereas as per China corporate governance code every company should have corporate strategy committee, audit committee,

nomination committee, remuneration and appraisal committee and all the committees are headed by independent directors with majority independent directors.

Performance Assessments and Incentive and Disciplinary Systems

In china listed company have to establish fair and transparent standards and procedures for the assessment of the performance of directors, supervisors and management personnel and also have system in place for self-review and peer review of directors. In India this is covered under non mandatory guidelines.

Corporate governance across the different countries is basically to protect the interest of various stakeholders by mandating certain transparency and disclosure norms by regulator through stock exchanges. The success of the any code will depend on the accountability of managers and the regulators seriousness on implementation and monitoring the code. The major difference in governance code between India and United States is that, US SOX is more stringent in terms of audit of the companies and in case of china is dual board where in they have management board and supervisory board.

CHAPTER VI

CONCLUSION AND SUGGESTIONS

6.1 Introduction

This chapter provides the concluding discussion and suggestions on research work and is focused on bringing together the empirical evidence and other facets raised in the earlier chapters of the theses. Study contributes to the ongoing body of work relating to corporate governance disclosure practices in protecting the interest of retail investors. Mandatory and non- mandatory corporate governance disclosure practices followed by selected large, mid and small cap companies, influence of company attributes on mandatory and non- mandatory corporate governance disclosure practices and retail investors perception and awareness on corporate governance practices of listed companies is discussed in following section.

6.2 Major findings of the study

With regard to corporate governance disclosure practices of the company across three categories of the company all together seventeen items related to board of directors and their composition, committees of directors and its compositions, board and committee meetings, shareholders complaints and separation of post of chairman and chief executive officer were studied to find out the significance difference across the three categories.

1. In case of total number of directors on the board of the company , number of executive directors, number of non executive directors and number of independent directors on the board of the companies' findings shows that there is significant

difference exists in composition between large and mid cap and large and small cap companies for all three years but there is no significant difference is found in composition of directors in case of mid and small cap companies which shows that there is gap in disclosure practices between large and mid and large and small cap companies. As regard to number of directors on the board it is found that large companies have more number of directors as compared to mid and small cap companies.

2. In case of number of directors on audit committee across different size of the company, finding shows that there is no significant difference in composition based on size of the company for all three years.
3. Minimum requirement of two-third independent directors on audit committee is followed by every company and it is observed that majority of the companies are going for 100 percent independent directors. With regard to composition of directors on audit committee across the three categories of company, finding shows mixed results. In first year (2006-07) there is no significant difference is found in composition of directors between the companies but in second year there is a significant difference in composition of between large and mid cap is found and in the third year significant difference in composition is found only between large and mid cap companies.
4. With regard to shareholders grievance committee, it has been observed that most of the companies are voluntarily opting for better practices and many companies shareholders grievance committee is headed by independent directors. Number of directors on shareholders grievance committee results shows that there is significant difference the companies for all three years, except in case of large and mid cap companies in the year 2007-08 and 2008- 09. And there is no

significant difference is found in case of percentage of independent directors on the shareholders grievance committee.

5. Every listed company should have minimum 4 board meetings in a year and there should not be gap of four month between two meetings, all the sample company has followed this mandated practice. As regard to number of meeting finding shows mixed results. In first year (2006-07) there is no significant difference in number of meetings conducted across the different sizes of the company. In second year (2007-08) there is a significant difference between large and small cap and mid and small cap is observed. In the year (2008-09) there is significant difference is found with regard to number of board meetings held between large and small cap companies.
6. In case of number of audit committee meetings held in the year, there is a significant difference has been found for all three years in case of large and mid and large and small cap companies but there is no significant difference is found between mid and small cap for all three years and it is observed that all companies are complied with minimum required meetings.
7. In case of number of shareholders grievance committee meetings held during the year across the three different categories of companies, findings shows that there is no significant difference is found in conduct of meeting across all the three types of companies, which shows size has no influence on shareholders grievance committee meetings.
8. Number of shareholders complaints received, solved and unsolved for three years across the three categories of companies, findings shows that there is no significant difference between all three types of companies except in case of

number of complaints received and solved between large and small cap companies in the year (08-09).

9. With regard to number of additional committees of the board in the company it is observed that many large cap companies have more than minimum mandated two committees and finding shows that there is a significant difference between large and mid cap and large and small cap companies for all three years. But in case of mid cap and small cap companies results are mixed, there is a significant difference is observed in the year 07-08 but there is no significance difference is found in the year 06-07 and 08-09.
10. Separation of post of chairman and chief executive officer is one of the better corporate governance practice followed by many companies in India. Findings shows that more than 50 percent of the sample companies have separated the post of chairman and chief executive officer and trend is upward in case of large cap and small cap companies and there is a improvement over the period of three years.

6.3 Company attributes and its influence on mandatory and non mandatory disclosure practices

The another objective of the study to see the influence of company attributes such as size, industry sector, age, promoters shareholding, financial institutions shareholding and number of independent directors on the board of the company has any influence on mandatory and non mandatory disclosure practices of the company .

1. Size of the company measured in terms of market capitalisation and its influence on mandatory disclosure practices of the company shows mixed results. In case of

large and small cap companies there is a significant difference is found in disclosure practices between the two groups for all the three years. In case of large and mid cap finding shows in first 2 years there is no significant difference in disclosures practices and in third year (2008-09) there is significance difference in disclosure practices between the two groups. But In case of mid and small cap there is no significant difference in disclosure practices is observed. Based on findings we can conclude that as market capitalization of the companies increases there is a improvement in disclosure practices.

2. In case of industry sectors and its influence on corporate governance disclosure practices finding shows that industry sectors have no influence on mandatory corporate disclosure practices and across all eleven selected industry sectors disclosure level is same over the period of three years.
3. Percentage of promoter's shareholding in the company and its influence on corporate governance disclosure practice, findings shows that there is no significant influence of promoters share holding on mandatory corporate disclosure practices of the company and this is same for all the three years.
4. In case of financial institutional shareholding and its influence on mandatory corporate governance disclosure practices, it is observed that financial institutions shareholding do not influence the mandatory corporate governance disclosure practices in the company.
5. With regard to age of the company and its influence on mandatory disclosure practices finding shows mixed results. In the first year of compliance of mandatory disclosure practices, there is no influence of age on the mandatory corporate governance disclosure practices, but in subsequent years age has

impacted the disclosure practices of the company, it is observed that older the company the batter is the disclosure.

6. In case of number of independent directors on the board of the company and its influence on mandatory corporate governance disclosure practices data shows that there is no significant influence of independent directors on the mandatory corporate governance disclosure practices of the company.

6.3.1 Company attributes and its influence on non-mandatory disclosure practices

1. In case of non mandatory corporate governance disclosure practices, size of the company and its influence on corporate governance disclosure practices shows mixed results. With regard to large and mid cap and large and small cap companies, finding shows that there is significant difference exist in non mandatory corporate governance disclosure practices for all three years but in case of mid and small cap companies there is no significant difference is found in disclosure of non mandatory corporate governance disclosure practices.
2. It has been observed that various sectors of the industry have no influence on non mandatory corporate governance disclosure practices of the company and result is consistent for all three years.
3. Promoters share holding in the company and its influence on non- mandatory corporate governance disclosure practice, finding shows that percentage of promoters share holding is not influencing the non – mandatory corporate governance disclosure practices.
4. It is observed over three years that percentage of financial institutions shareholding in the company has significantly influenced the non – mandatory

corporate governance disclosure practices. As shareholding of financial institutional increase in the company it has put pressure to improve the disclosure practices.

5. In case of age of the company and it influence on non- mandatory corporate governance disclosure practices in the company finding shows mixed results. In the first year (2006-07) there is no significant influence of age on the non – mandatory disclosure practices but in second year and third year there is significance influence of age on the disclosure practices of the company.
6. With regard to number of independent directors on the board of the company and their influence on non-mandatory disclosure practices finding shows that there no influence of number of independent directors on non – mandatory disclosure practices in the first two years but in the third year's findings shows there is a significant influence of presence of more independent directors on the board on non mandatory disclosure practices.

Multiple regression results of the company attributes such as promoter's shareholding, financial institutions shareholdings, age and number of independent directors on the board on mandatory and non mandatory disclosure index shows slightly different results as against simple regression results.

Findings shows that there is no significant influence of company attributes on the mandatory disclosure index in the first year, and in second year only age of the company has shown significant influence and in the third year only financial institution has shown significant influence on mandatory disclosure index

In case of non mandatory disclosure index, financial institutions shareholding in the company has shown significance influence for all three years and age of the

company has shown significant influence in the second year, whereas rest attributes have no significance influence on non mandatory disclosure index.

6.4 Investor's perception and Investor awareness on corporate governance

Findings on investor perception and awareness on corporate governance shows that retail investor's knowledge on various aspects of corporate governance disclosure practices of listed companies is negligible. Annual general meeting of the company is one of the important events for investor to represent their problems, but it is found that retail investors do not show any interest in attending the annual general meeting of the company. Finding shows that only 10 percent of the total respondents have attended the annual general meeting of the company and out of these, only 75 percent have taken part in voting. And in case of postal ballot also investors are not sending postal ballot to the company after casting their votes; this shows investors lack interest in decision making process.

Mandatory corporate governance disclosure practices are applicable to all the listed companies irrespective of size of the company and satisfaction level of small investors with regard to services offered and complaint handling should have been same, but findings shows that there is difference in satisfaction level of small investors with regard to safety of investment and protection of interest of small investors. In case of distribution of dividend by the company, corporate benefit, share transfer, complaints reporting, complaint solving etc. small investors are not happy with the mid and small cap companies as compared to large cap companies.

Transparency in the governance practices can lead to investor's protection, for that matter investor's knowledge on various aspects of corporate governance disclosure practices is very important. In order to acquire awareness on various

aspects, investors need to read the report on corporate governance published by company, so that they know how good governance at the company is. If investors equip themselves on various aspects of corporate governance practices of company before investing, they will be in better position to take right decision and can choose between good and poorly managed company. Analysis of data on awareness of corporate governance shows that only 44.5 percent respondents (106) are aware about corporate governance whereas 55.5 percent (132) are not aware about the corporate governance disclosure practices. Similarly out of 106 respondents who are aware of corporate governance only 58 percent of respondents said that they read the report on corporate governance and 42 percent of the respondent are not interested in reading the report. Similarly investor awareness is negligible on various other aspects of the corporate governance practices, such as composition of Board, composition of audit committee, shareholders grievance committee and remuneration committee.

6.5 Suggestions

Since 1991, after globalization and liberalization of Indian economy India is growing at rapid growth rate for last five years and we have seen (GDP) growth of more than 7 percent. Consistent growth is the outcome of opening of Indian economy to outside world and we have seen continued flow of foreign direct investment (FDI) and foreign intuitional investors (FII) are coming to Indian from all sides and Indian corporate are raising funds from oversees market by way of American Depository Receipts (ADR), Global Depository Receipts (GDR) and Foreign Currency Convertible Bonds (FCCB). Public (small investors) are also started investing in listed companies with expectation of good returns. If Indian listed companies wants to attract this financial flow from different sides continued than corporate have to give

first priority to the transparency in governance by way of following best corporate governance disclosure practices.

There is need on enacting strict rules and regulations by Company Law Board and Securities Exchange Board of India (SEBI) on corporate governance front. There is need of professional independent directors in companies with accounting and financial expertise, and for this profession institutions need to be set up to train professional independent directors. At present corporate have to file quarterly return of compliance of corporate governance code to stock exchanges and many companies are defaulting on this count but till date no action is being taken by regulator and even SEBI cannot go for de-listing of companies also because de-listing will affect the minority shareholders. To overcome this problem and to improve the compliance of corporate governance of listed companies there is need of independent audit of governance policies on annual basis.

Another observation made in the study is that there is lot of investor's complaints which remains unsolved; to handle this SEBI should direct every company to disclose these complaints on the website of the company and progress of this complains should be updated on regular basis so that investor can get regular update of their complaints. Further corporate can go for separation of position of chairman and Chief executive officer in the company, at present approximately 50 percent of the company have followed this practice even regulator can think of mandating the separation of post. There is a need of more transparency required on part of promoters selling their stake in open market and pledging of shares, these information need to be disclosed on day to day basis on company website as well as on the stock exchanges. At present companies are reporting change in shareholding pattern on quarterly basis,

this need to be changes and it is to be updated on daily basis so that small investors can get regular information on this count.

Another area of better governance can be followed is by setting up of public company accounting oversight board to look after the appointment and audit of the listed companies a similar practice followed in United States. Similarly SEBI can think of having system of dual board, a practice followed in some of the countries like China and Germany where in two board are operating, on is of supervisory and second is of management board.

From the point of retail / small investor's protections point of view companies need to do lot of things. It has been observed that retail investor's participation in annual general meeting is very poor; this can be attributed to geographical location of registered office of the company. To increase the attendance at annual general meeting company should think of having meeting location at places where investor base is more instead of having it at location of registered office. Secondly on casting of vote in case of postal ballot investors are reluctant because of sending of postal papers, in this case corporate can think of getting vote in electronic form by way of e-mails wherever possible. As per ministry of corporate affairs request for green initiative many company started sending annual report by e-mail instead of earlier practice of sending hard copy to residential address, on similar lines on line voting on resolution can be initiated. The serious threat to the investor protection is promoters percentage shareholding in the company it has been observed that many promotes holding in company is more than permissible limit of 75 percent, which need to be brought down for protections of other stakeholders . When promoters holding is more than 51 percent stake in the company other 49 percent stakeholders have no say, because promoters voting right is deciding factor and they take all the decisions in their interest and

minority stakeholders become mere spectator in such situation. SEBI can think of bringing promoters stake below 50 percent and also have fixed limits for proportion of shareholding by mutual fund, financial institutions, foreign institutional investors and public in every listed company to keep check on dominance of promoters. It has been observed by researcher by attending annual general meetings of some of the companies that retail investors have no say on voting at the time of passing resolution. In meetings, company discuss the various issues and puts for voting and asks voters to cast the vote and at the time of counting votes officials declared the results saying promoters proxy votes which are more than 51 percent are in favor of resolution which means there is practically no value for minority investors vote.

6.6 Scope for the further research

Corporate governance disclosure practice can be studied in different dimensions, empirical research can be carried out one many aspect of good governance such as independence of independent directors, their performance, accountability, qualifications and on accounting knowledge. Audit committee independence and their functioning, shareholders grievance committee independence and their functioning can also be studied. Another area of research can be carried out on the role of stock exchanges and regulator with regard to compliance of the listed companies on listing agreement. From the point of view of financial institutions, mutual funds and foreign institutional investors a study can be initiated to find the perception of these various stakeholders on various aspects of corporate governance disclosure practices of Indian listed companies.

6.7 Contribution of the study

The study is useful to the investor at large and particularly to retail investor whose safety is depend on the transparency and disclosure practices of the company. This can help small investor in taking his decision about investment in different types of the companies and strengthening their knowledge on corporate disclosure practices followed by the listed companies. Secondly the study is useful to Stock Exchanges, Regulator, Ministry of Corporate Affairs and Company Law Board in framing guidelines on corporate governance disclosure practices. At Corporate level also this can be used by mid and small cap companies to improve their corporate governance disclosure practices.

REFERENCES

1. Agrawal A. & C. Knoeber (1998), "Managerial Compensation and the Threat of Takeover", Journal of Financial Economics 47, 219-239.
2. Anurag Pahuja & Bhatia, (2010), Determinants of Corporate Governance disclosures: Evidence from Companies in Northern India, IUP journal of Corporate Governance, Vol. IX No. 3 July 2010.
3. Bajaj R. (1997), Draft Code on Corporate Governance, Confederation of Indian Industry New Delhi.
4. Barclay, M. J. & Holderness, C. G. (1991), 'Negotiated Block Trades And Corporate Control', Journal Of Finance, Vol. 46, Pp. 861-878.
5. Baysinger B. & H. Butler. (1985), Corporate Governance and Board of Directors: Performance Effects of Changes in Board Composition, Journal of Law, Economics and Organization.
6. Berle Jr., A. and G. Means (1932), "The Modern Corporation and Private Property", Macmillan, New York
7. Bernad S Black and Vikramadity S khanna (2007) Can Corporate Governance Reforms Increase Firms Market Value: Event Study Evidence from India. European Corporate governance Institute law, working paper xx/2007
8. Bernard S. Black (2009) Corporate Governance in Brazil, working paper, ssrn.com
9. Bethel J. E., Liebeskind J. P. & Opler, T. (1998) 'Block Share Purchase and Corporate Performance', The Journal of Finance, vol. 53, pp. 605 -634.
10. Bhagat S & B. Black. (1999) 'The Uncertain Relationship between Board Composition and Firm Performance', *Business Lawyer* 54, 921-963.

11. Bhasa Malla Praveen (2004), "From Managing Agency System to Naresh Chandra Committee Report on Corporate Governance". The ICFAI Journal of Corporate Governance, Vol. 3, pp. 64-79.

12. Birla K M (2001), Committee Reports on Corporate Governance, Securities and Exchange Board of India.

13. Brickley J., J. Coles & R. Terry, (1994), "Outside Directors and the Adoption of Poison Pills", Journal of Financial Economics 35, 371-390

14. Cadbury A. (1992), 'Codes of Best Practice', Report from the Committee on Financial Aspects of Corporate Governance. London, Gee Publishing.

15. Carter D. A., Simkins B. J. & Simpson, W. G. (2003) , 'Corporate Governance, Board Diversity, and Firm Value', The Financial Review, vol. 38, no. 1, pp. 33-53.

16. CFA, Institute (2010), Independent Non-Executive directors - A Search for True Independence in Asia. Asia-Pacific Office of the CFA Institute Centre for in financial Market Integrity.

17. Chakrabarti R. (2004), Corporate Governance in India – Evolution and Challenges.

18. Claessens S. & Fan J. P. H. (2002), 'Corporate Governance in Asia: A Survey', International Review of Finance, vol. 3, no. 2, pp. 71 -103.

19. Cook J. M. (2002), 'Governance Issues for the New Year: Interview with Mike Cook, professional director', Directorship, vol. 28, no. 1, pp. 1-5.

20. Daily C. M. & Dalton D. R. (1992), 'The Relationship Between Governance Structure and Corporate Performance in Entrepreneurial Firms', Journal of Business Venturing, vol. 7, no. 5, pp. 375-386.

21. Deli D. N. & Gillan S. L.(2000), 'On the Demand for Independent and Active Audit Committees', Journal of Corporate Finance, vol. 6, pp. 427-445.

22. CII Code (1998), Desirable Corporate Governance Code, Confederation of Indian Industry.

23. Dhawan Jyothi (2006), "Board of Directors and Corporate Governance in Large Listed Firms in India", The ICFAI Journal of Corporate Governance, Vol. 5, No. 3, pp. 39-61.

24. Dwivedi Neeraj & Jain Arun (2005), "Corporate Governance and Performance of Indian Firms: The Effect of Board Size and Ownership", Employee Responsibilities and Rights Journal, Vol. 17, No. 3, pp. 161-172.

25. Eisenberg T, Sundgren S &Wells M T (1998), "Larger Board Size and Decreasing Firm Value in Small Firms", Journal of Financial Economics, Vol. 48, pp. 35-54.

26. Elankumaran S (2006), "Corporate Codes of Conduct in India; A Survey" Journal of Human Values. Vol. 12, p. 65.

27. Faleye O. (2003), Does One Hat Fit All? The Case of Corporate Leadership Structure, Working Paper, Northeastern University.

28. Fama E. (1980), "Agency Problems and the Theory of the Firm", Journal of Political Economy

29. Fama, E. & M. Jensen (1983), "Agency Problems and Residual Claims", Journal of Law and Economics 26, 327-349

30. Ferris S. P., Jagannathan M. & C. P. A. (2003), 'Too Busy to Mind the Business? Monitoring by Directors with Multiple Board Appointments', The Journal of Finance, vol. 58, no. 3, pp. 1087-1111.

31. Fields M. A. & Keys P. Y. (2003), 'The Emergence of Corporate Governance from Wall St. to Main St.: Outside Directors, Board Diversity, Earnings Management, and Managerial Incentives to Bear Risk', The Financial Review, vol. 38, no. 1, pp. 1- 24.

32. Ghosh Saibal (2006), "Do Board Characteristics Affect Corporate Performance? Firm-level Evidence for India", Applied Economics Letters, Vol. 13, No. 7, pp. 435-443.

33. Global Corporate Governance Principles: Revised (2009) International Corporate Governance Network http://www.icgn.org/

34. Goyal V. K. & Park C. W. (2002), 'Board Leadership Structure and CEO Turnover', Journal of Corporate Finance, vol. 8, no. 1, pp. 49-66.

35. Hermalin, , B., and & M. Weisbach, (1988), "The Determinants of Board Composition",

36. Institute of Company Secretaries of India (2003) Corporate Governance – Module of Best Practices, Taxman publishers (P) Ltd.

37. International Corporate Governance Network (2009) ICGN Global Corporate Governance Principles: Revised.

38. Jensen M. & W. Meckling, (1976), "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure", Journal of Financial Economics 3, 305-360

39. Jensen M.C. (1993), 'The Modern Industrial Revolution, Exit and the Failure of Internal Control Systems', Journal of Finance 48, 831-880.

40. Khanna Tarun & Krishna Palepu (2004), "Globalization and Convergence in Corporate Governance: Evidence from Infosys and the Indian Software

Industry". Journal of International Business Studies, Vol. 35, No. 6, pp. 484-507.

41. Klein A. (2002). Audit Committee, Board of Director Characteristics and Earnings Management. Journal of Accounting and Finance, Vol. 33, pp. 375-400.

42. Kolk A. (2006) Sustainability – Accountability and Corporate Governance: Exploring multinationals Reporting practices.

43. Kumar J (2000) Capital Structure and Corporate Governance, Xavier Institute of Management Bhubaneswar.

44. La Porta, R., Lopez-de-Silanes, F., Shleifer A. & Vishnu, R., (1999) Investor Protection and Corporate Valuation, NBER Working Paper 7403. National Bureau of Economic Research, Cambridge, MA.

45. Labelle R (2002), The Statement Of Corporate Governance Practices – A Voluntary Disclosure And Corporate Governance Perspective.

46. Leora F. Klapper & Inessa Love (2002) Corporate Governance, Investor Protection, and Performance in Emerging Markets.

47. Leuz C., Nanda, D. & Wysocki, P. D. (2003), 'Earnings Management and Investor Protection: An International Comparison', Journal of Financial Economics, vol. 69, no. 3, pp. 505-527.

48. Lipton M. & J. Lorsch. (1992), A Modest Proposal for Improved Corporate Governance. Business Lawyer 59 (November): 59-77.

49. Madan Lal Bhasin (2009) Corporate Governance Disclosure Practices A Portrait of Developing Countries, International Journal Of Business And Management, www.ssrn.com.

50. Mak Y. T. & Li Y. (2001), 'Determinants of Corporate Ownership and Board Structure: Evidence from Singapore', Journal of Corporate Finance, vol. 7, pp. 235-256.

51. Md. Habib-uz-Zaman Khan (2006), Corporate Governance Reporting As A Voluntary Disclosure, BRAC University Journal, Vol. III, No. 2, 2006, pp.9-16

52. Md. Bhuiyan & P Biswas (2007), Corporate Governance and Reporting: An Empirical Study of the Listed Companies in Bangladesh. Journal of Business Studies, Vol. XXVIII, No.1, June 2007.

53. Monks R.A. & Minow, N. (2004), Corporate Governance, third edition (Blackwell).

54. Murthy N R (2003), Report Of Committee On Corporate Governance. Securities and Exchange Board of India.

55. Narasimhan M S & Manju Jaiswall (2007), "Role and Functioning of Remuneration Committee in Improving Corporate Governance", The ICFAI Journal of Corporate Governance, Vol. 6, No. 3.

56. National foundation for corporate governance (2010) Corporate Governance in India – Theory and Practice – Discussion paper. www.nfcg. Org.

57. Norita Mohd Nasir & Shamsul-Nahar Abdullah (2004), Voluntary Disclosure and Corporate Governance among Financially Distressed Firms in Malaysia- www.ssrn.com

58. Organisation for Economic Co-operation and Development (OECD) (1999), Draft Principles of Corporate Governance.

59. Panchali Jinesh (2002), "Institutional Investors and Corporate Governance", 11MB Management Review, Vol. 14, No. 1.

60. Parthäsarathy Aditya, Menno Krishnakumar & Bhattacherjee Debashish (2006), "Executive Compensation, Firm Performance and Governance an Empirical Analysis", Economic and Political Weekly (September), pp. 4139-4147.

61. Patrric Mc Cologan, (2001), Agency Theory and Corporate Governance – A Review Of The Literature From a UK Perspective.

62. Pei Sai Fan (2004), Review Of Literature And Empirical Research On Corporate Governance.

63. Phani B. V, Reddy V N, Ramachandran N & Bhattacharyya Asish K (2004), "Insider Ownership, Corporate Governance and Corporate Performance", National Stock exchange Research paper.

64. Phil Armstrong (2010), Key Corporate Governance Consideration for India's Economic Development www.icai.org

65. Prasanna Krishna (2006), "Independent Directors and Expectations Gap: An Empirical Analysis", The ICFAI Journal of Corporate Governance, Vol. 5, No. 2, pp. 56-72.

66. Rajesh , Megginson and Pradeep (2008), "Corporate Governance in India", journal of Applied Corporate Finance, Vol. 20, No. 1, pp. 59-72.

67. Ramaswamy K, Veliyath R and Gomes L (2000), "A Study of the Determinants of CEO Compensation in India", Management International Review, Vol. 40. No. 2, pp. 167-191.

68. Real Labelle (2002), The Statement of Corporate Governance Practices. A Voluntary Disclosure and Corporate Governance Perspective. www.ssrn.com.

69. 'Rechner, P. L. & Dalton, D. R. (1991), 'CEO Duality and Organizational Performance: A Longitudinal Analysis', Strategic Management Journal, vol. 12, no. 2, pp. 155- 160.

70. Reddy Y V (2005), Corporate Governance in Banks. Indian institute of Management Bangalore.

71. Ren'ee B. Adams, Benjamin E. Hermalin, & Michael S. Weisbach (2009), the Role of Boards of Directors in Corporate Governance: A Conceptual Framework & Survey.

72. Ros Haniffa and Terry Cooke (2000), Culture, Corporate Governance and Disclosure in Malaysian Corporations. The Asian AAA World Conference In Singapore August, 2000.

73. Sarbanes-Oxley Act of (2002), H.R. Res. 3763, 107th Cong., 1 (2002) (enacted).

74. Sarkar J & Sarkar S (2000), "Large Shareholder Activism in Corporate Governance in Developing Countries: Evidence from India", International Review of Finance, Vol. 1, No. 3, pp. 161-194.

75. SEBI: Clause 49 (2004), Listing Agreement, Issued by the Securities and Exchange Board of India, www.sebi.gov.in.

76. Sharmila Gopinath & Jamie Allen (2009), ACGA White Paper on Corporate Governance in India" Asian Corporate Governance Association (ACGA) Hong Kong.

77. Shieifer A and Vishny R (1997), "A Survey of Corporate Governance", journal of Finance, Vol. 52, pp. 737-783.

78. The Economist Intelligence Unit (2002) Corporate Governance – The New Strategic imperative, The Economist

79. Vafeas N. , & E. Theodorou, (1998), "The Relationship Between Board Structure and Firm Performance in the UK", British Accounting Review 30, 383-407

80. Varma J R (1997) Corporate Governance in India: Disciplining the Dominant Shareholder IIMB Management Review, December 1997, Vol. 9, No. 4, pp. 5-18.

81. Woidtke T. (2002), 'Agents watching agents? : Evidence from Pension Fund Ownership and Firm Value', Journal of Financial Economics, vol. 63, no. 1, pp. 99-131.

- x -

APPENDIX - A

Mandatory Disclosure Index

Content analysis of following 64 items have been done to see the disclosure practices disclosed in the annual reports under corporate governance report of the companies

A. Disclosure of information on composition of Board

1.Total number of director's in the company

2.Number of executive directors

3.Number of Non- executive directors

4.Whether Chairman executive or non executive

5.If Chairman is executive than 50 percent of board consist of Independent directors

6.If Chairman is non- executive , then does one-third board

7.Consist of independent directors

8.Percentage of independent directors to the total numbers of directors

9.Is office of the chairman and CEO is held by different people

10. Disclosure of Compensation of Board of directors

11. Disclosure of compensation of non – executive director / independent director

12. Disclosure of directors on other committees

13. Number of directors on more than 10 committees or chairman of more than 5 committees across all the companies in which he is director.

B. Board Committee

Board meetings

1. Number of Board meeting held during the year (Minimum four)
2. Disclosure of attendance of board meeting
3. Attendance at each board meeting
4. Interval between any of the two board meetings were more than three months

Audit committee

1. Number of Directors on Audit Committee
2. Whether chairman of the audit committee is independent director
3. Does audit committee consist of two / third independent directors
4. Percentage of independent directors to the total directors on audit committee
5. Number of times Audit committee meet during the year
6. Disclosure of attendance of audit committee meeting

Shareholders grievance committee

1. Number of Directors on shareholders grievance Committee
2. Chairman of the shareholders grievance committee (independent / Executive /Non- Executive)
3. Number of times shareholders grievance committee meet during the year
4. Disclosure of attendance of shareholders grievance committee
5. Percentage of independent directors to the total number of directors
6. Number of complaints received during the year from shareholders

7. Number of complaints resolved
8. Number of complaint pending
9. Information about additional committee exist in the company
10. Disclosure of information of subsidiary company

C. Management review & responsibility and Code of Conduct

1. Disclosure of risk management
2. Disclosure of management discussion analysis
3. Does code of conduct for board of directors disclosed
4. Does compliance certificate on annual basis signed by CEO/CFO

D. Disclosure

1. Basis of related party transactions
2. Disclosure of accounting treatment
3. Board disclosure
4. Proceeds of public issue , right issue , preference issue etc.
5. Remuneration of directors
6. Management
7. Disclosure regarding appointment or reappointment of directors

E. Shareholders

1. Date ,time and venue of AGM
2. Date of book closure
3. Dividend payment date
4. Listing of shares on stock exchange

5. Market price data of share for each month
6. Performance of comparison to board based indices
7. Details of share transfer agent
8. Share holding distribution , category of shareholders
9. Top ten shareholders information
10. Change in equity during the year
11. Outstanding ADR/GDR
12. Convertibles/ Conversions date and likely impact
13. Address for Correspondence
14. Details of last 3 AGM
15. Material and financial transaction by management when they have personal interest that may have potential conflict with the interest of the company
16. Opportunities and threats

F. Other disclosure

1. CEO/CFO certification
2. Disclosure of CEO/CFO certification
3. Report on corporate Governance with detail compliance
4. Auditors certificate on corporate governance
5. Details of Non compliance by the company

APPENDIX B

Non Mandatory Disclosure

1. Tenure of independent directors
2. Remuneration committee
3. Shareholders rights – half yearly financial performance ,sent to each shareholders
4. Audit qualification
5. Training of board members
6. Mechanism for evaluating non- executive directors
7. Whistle blower policy

APPENDIX C

Questionnaire for Retail / Small Investor Survey

Aim and Objective: This survey is conducted to collect the views of Small / Retail investors on the present corporate governance regulations in India and to see whether these regulations of clause 49 of listing agreement are protecting the interest of Retail Investor.

(Category of company – Small cap – market capitalization up 1500 crore, Mid cap above1500 crore but less than 5000 crore and large cap above 5000 crore)

1. Name of the investor ______________________________(optional)

   Location ______________________

2. Which class of shares do you own? (Tick appropriate box)

   Large cap ☐

   Mid cap ☐

   Small cap ☐

3. Do you receive annual report /AGM notice from your invested company?

   Large cap ☐

   Mid cap ☐

   Small cap ☐

4. Do you attend Annual general meeting of the company?

   Yes ☐

   No ☐

5. Do you take part in the voting?

   Yes ☐

   No ☐

6. Do you receive half-yearly results from the company?

   a. large cap ☐

   b. mid cap ☐

   c. small cap ☐

7. Do you receive dividend /dividend warrant from company?
    a. Large cap ☐
    b. Mid cap ☐
    c. Small cap ☐
8. Do you receive postal ballot from company?
    a. Large cap ☐
    b. Mid cap ☐
    c. Small cap ☐
9. Do you send postal ballot paper to company after casting your vote?
    Yes ☐
    No ☐
10. Do you receive intimation of corporate benefit from your invested company? (bonus share , right share ,preference shares, debentures etc)
    a. Large cap ☐
    b. Mid cap ☐
    c. Small cap ☐
11. Does any time your invested company deprived you of corporate benefits?
    Large cap ☐
    Mid cap ☐
    Small cap ☐
12. Are you aware of corporate governance? (Clause 49 of listing agreement)
    Yes ☐
    No ☐
13. Do you read corporate governance section in the annual report?
    Yes ☐
    No ☐
14. Are you aware of the composition of directors on the board as per clause 49 of listing agreement?
    Yes ☐
    No ☐

15. Are you aware of the different board committees in the company that every company should have?

   a. Audit committee ☐
   b. Shareholders grievance committee ☐
   c. Remuneration committee ☐
   d. Nomination committee ☐

16. Do you have any Complaint/ grievance against any company? if yes which of the following

   a. Large cap ☐
   b. Mid cap ☐
   c. Small cap ☐

17. If you have reported the matter, has it been solved in timely manner?

   a. By large cap ☐
   b. By mid cap ☐
   c. By small cap ☐

18. Have you faced any problem in share transfer /transmission?

   a. Large cap ☐
   b. Mid cap ☐
   c. Small cap ☐

19. Are you aware of Satyam computer fraud?

   Yes ☐
   No ☐

20. Are you an investor of Satyam Computers?

   Yes ☐
   No ☐

21. Do you lose money in Satyam Computer share?

   Yes ☐
   No ☐

22. Whom do you blame for the Satyam fraud

   a. Chairman ☐
   b. Management/ BOD ☐
   c. Auditors ☐
   d. SEBI ☐
   e. All of the above ☐

23. With Satyam scandal in which of the following category of shares do you think safe for investment?

   a. Large cap ☐
   b. Mid cap ☐
   c. Small cap ☐

24. Do you suggest delisting of companies from stock exchange for non compliance of listing agreement?

   Yes ☐
   No ☐

25. Do you agree that a holding company should not be allowed to do business with its own subsidiary company? (related party transaction)

   Yes ☐
   No ☐

26. Do you think there should be more disclosure in annual report (Corporate Governance) by the listed company to shareholders?

   Yes ☐
   No ☐

27. Do you think promoters holding more than 25 percent in company work against the interest of retail investors?

   Yes ☐
   No ☐

28. What steps should SEBI take so that similar incident (SATYAM) does not take place in the future?

   ____

   ____

29. What are your suggestions for improvement of corporate governance?

   ____

   ____

30. What measures should SEBI take to protect the interest of retail small investors

   ____

   ____