



CORPORATE GOVERNANCE DISCLOSURE PRACTICES FOLLOWED BY SELECTED NIFTY 50 COMPANIES OF INDIA

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ABSTRACT

The concept of corporate governance by corporate businesses gaining so much importance now-a-days. It is the process through which any businesses or organizations are directed and controlled. The present paper examines the disclosure on corporate governance made by all selected Nifty 50 companies of India during the study period of 2016-17 to 2020-21. For the purpose, item wise and company wise corporate governance disclosure index have been constructed covering the total 38 corporate governance disclosure items including mandatory and voluntary both. Statistical tools like mean, trend analysis and Analysis of variance have been used to check the significant difference in the disclosure of corporate governance disclosure. The results of the study found the significant differences in the disclosure of corporate governance and supports the researcher's hypothesis.

KEY WORDS

Corporate governance disclosure, Clause 49, Disclosure Practices, Listing Agreement

[1.1] INTRODUCTION

Corporate disclosure is the process through which any company or business provides all the relevant information of functioning of the business to stakeholders. Through corporate disclosure, company tries to provide information of various types like financial, production, marketing, human resources, CSR, corporate governance, environmental etc. All interested parties can use these information and take the rational decisions for the present as well as future. Annual reports of any company are the major sources of disclosing all such information to the users. One of the very important aspect of corporate disclosure is the information on corporate governance.

Corporate governance can be defined as the procedures by which any business or organization can be directed and controlled. As in a company, ownership and management of business are separate, it is the responsibility of the directors, managing directors, managers of company to maintain a good transparency and communicate the important business and policy matters to the public. Corporate governance structure gives the information like composition of board of directors, other committees, rights and responsibilities of other managers, shareholders, shareholding pattern, and explain the rules and protocols of for decision making. Corporate governance is fully depended on the four fundamental pillars like fairness, transparency,

accountability, and responsibility. In short, corporate governance is becoming the very important aspect of disclosure from the view point of government, shareholders, public, media, policy makers, and academia throughout the world.

[1.2] CORPORATE GOVERNANCE DISCLOSURE IN INDIA

Actually, the emergence of corporate governance disclosure arises due to the collapse of some big profile companies, corporate scams during the year 2001-02 and afterwards. Even the financial crisis of companies as well as the nation also created the pressure on the disclosure of corporate governance. Many corporate frauds, accounting malpractices prove that still India needs to focus on the issue towards the disclosure of adequate corporate governance.

As far as the importance and implementation of corporate governance in India is there, all public limited companies need to follow very limited governance and disclosure standards as per the Companies Act, 1956. For the first time in India, the desirable Corporate Governance Code introduced by CII in 1998. Afterwards, the Kumar Mangalam Birla Committee Report suggested the prominent need of corporate governance in the year 2000 and so SEBI introduced the Clause 49 in the listing agreement to promote the good corporate governance. Time to time, many suggestions, and recommendations on providing more transparency and information are made by various committees like Naresh Chandra Committee and Narayana Murthy Committee in the year 2002 and 2003 respectively. So, finally, the Companies Act, 2013 revised the Clause 49 and provides the formal structure of providing corporate governance information by enhancing more disclosure, transparency, and new compliance norms.

[1.3] LITERATURE REVIEW

- Madan Bhasin & Adliya, Manama (2008), analyzed the case study of Reliance Industries in context of the disclosure level made in corporate governance for the year 2006-07. As Reliance was the largest private sector enterprise and focusing on maximizing the shareholders' value. In that exploratory study, to check the extent of disclosure, a 'Point value system' was used and it was found that corporate governance disclosure by RIL was very good and scoring around the 85 points out of the total score.
- Shikha M. Shrivastav & Anjala Kalsie (2017), analyzed the relationship between the corporate governance disclosure index and firm performance of 38 non-financial NSE listed companies for the duration of five years. To measure the level of corporate governance disclosure, an unweighted disclosure index was constructed and to measure firms' performance, various details like Tobin's Q, Market to book value ratio, Market value added, return on assets, return on capital employed, return on equity were used. The results of the study concluded that no doubt firms were good with the disclosure of corporate governance, but still there was a scope for improvement. It also examined that higher disclosure of corporate governance by companies were likely to results in higher performance.
- Puneeta Goel (2018), examined the changes and improvement made by Indian corporates in the disclosure of corporate governance information. These changes are analyzed by her by comparing the two years i.e., per reform period (2012-13) and post reform period (2015-16) that after the introduction of major reforms of 2013-14. The researcher found the significant improvement in the disclosure of corporate governance after the implementation of major reforms. The researcher also investigated the relationship between the disclosure of corporate governance and financial performance of firms which resulted into no significant relationship.
- Robin (2019), discussed the importance of corporate governance and its disclosure in the business environment for any countries and specially in India. He studied the concept and principles of corporate governance, and its importance from the point of view of India. He also stated the various issues and challenges related to corporate governance.
- Deepa Mangala (2019), examined the extent of corporate disclosure through the annual reports of selected 255 companies during the period of 2008-09 to 2017-18. In that corporate disclosure covered the disclosure of various aspects like financial information, human resources information, corporate governance information, CSR and environmental information, Production and marketing information, forward looking information, and general information by companies. The results of the study showed that the disclosure of such corporate information improved significantly during the study period and show the steady increase in the disclosure of financial and non-financial information.
- Suguna Margana & Sheela P. Paluri (2021), studied the corporate governance disclosure practices followed by selected housing finance companies from NSE against the disclosure requirements of

Clause 49 by SEBI norms. For the purpose, Kendall's coefficient of correspondence is used for finding the degree of association for several sets of rankings for all companies. It was found that with the application of Clause 49 of listing agreement, companies were disclosing corporate governance information in a more systematic manner.

[1.4] OBJECTIVES OF THE STUDY

- To study the corporate governance disclosure environment in India.
- To check the item wise disclosure of corporate governance information in the annual reports of selected companies.
- To analyze the company wise disclosure index of corporate governance information.
- To examine the trend and differences in the item wise and company wise disclosure index of selected companies.

[1.5] RESEARCH METHODOLOGY

UNIVERSE OF THE STUDY

To examine the level of corporate governance disclosure, total 50 companies from Nifty 50 index of NSE are selected as the population of the study, which covers the major 13 sectors of Indian economy.

SAMPLE OF THE STUDY

Out of total 50 companies from Nifty 50 index of NSE, financial companies are excluded due to their special and different regulatory requirements and disclosure practices. Out of total non-financial companies, two companies each from major 8 sectors are selected for the study purpose. So, the sample size of the study is total 16 companies.

SOURCES OF DATA COLLECTION

The method used for the data collection is the secondary data. So, all the required information of corporate governance for the study is collected from the annual reports of selected companies during the five years.

DATA ANALYSIS

All the required data collected from the annual reports were in the raw form. So, for the study purpose, an unweighted corporate governance disclosure index was constructed by using the content analysis. For the index construction, if the corporate governance information (item) is available in the annual reports then it will be coded as 1 or otherwise 0 by using the dichotomous approach.

TOOLS & TECHNIQUES USED FOR THE STUDY

Various statistical tools used for the study purpose. Descriptive statistics like mean and ranking are used. Further, tools like analysis of variance (ANOVA) for the item wise as well as company wise disclosure used separately and trend analysis used for the item wise disclosure.

[1.6] ITEM WISE CORPORATE GOVERNANCE DISCLOSURE SCORE

First, an item wise corporate governance disclosure score has been calculated for the all selected 38 items of corporate governance for the all 16 companies during the study period of five years separately. For the purpose, following formula has been used:

$$\text{IDS} = \frac{\text{Number of companies disclosing the particular item}}{\text{Total Number of companies in the sample}} \times 100$$

Where, IDS = Item wise disclosure score

Thus, item wise disclosure score has been found out with the number of companies disclosing the particular corporate governance information during the year divided by the total number of selected sample companies multiplying with 100.



TABLE 1.1**ITEM WISE DISCLOSURE OF CORPORATE GOVERNANCE INFORMATION FROM THE F.Y. 2016-17 TO 2020-21**

SR NO.	CORPORATE GOVERNANCE INFORMATION	2016-17	2017-18	2018-19	2019-20	2020-21	AVER-AGE	TREND IN DS
	STATEMENT OF PHILOSOPHY							
1	Statement of companies' philosophy on code of governance	100	100	100	100	100	100	Full DS
	BOARD OF DIRECTORS							
2	Composition of the board	100	100	100	100	100	100	Full DS
3	Details of membership in other companies	100	100	100	100	100	100	Full DS
4	Details of membership in other committees	100	100	100	100	100	100	Full DS
5	Disclosure of tenure and age limit of directors	31.25	31.25	25	25	43.75	31.25	+/-
6	No. of board meetings in a year	100	100	100	100	100	100	Full DS
7	Date and attendance of each director in a board meeting	100	100	100	100	100	100	Full DS
	AUDIT COMMITTEE							
8	Description of Audit Committee terms of Reference	100	100	100	100	100	100	Full DS
9	Members of Audit Committee	100	100	100	100	100	100	Full DS
10	Power & role of audit committee	93.75	87.5	81.25	81.25	87.5	86.25	+/-
11	Number of audit committee meetings	100	100	100	100	100	100	Full DS

12	Dates of audit committee meetings	100	100	100	100	100	100	Full DS
13	Attendance of each director in the committee meeting	100	100	100	100	100	100	Full DS
	GENERAL BODY MEETINGS							
14	Dates, Time, and Location of last three AGMs	100	100	100	100	100	100	Full DS
15	Details of Special Resolution passed in the last three AGMs	100	100	100	100	100	100	Full DS
16	Details of Resolution passed through postal ballot in the last financial year	87.5	100	100	93.75	93.75	95	+/-
	MANDATORY DISCLOSURE							
17	Information and Compliance of Code of Conduct	100	100	100	100	100	100	Full DS
18	Significant Related Party transactions	100	93.75	100	100	100	98.75	+/-
19	Non-compliance by the company, penalties & strictures imposed	100	87.5	93.75	93.75	93.75	93.75	+/-
20	Management Discussion & Analysis Report	100	100	100	100	100	100	Full DS
21	Remuneration to Directors	100	100	100	100	100	100	Full DS
22	Means of Communication Information	100	100	100	100	100	100	Full DS
23	CEO/CFO Certification	93.75	93.75	100	100	100	97.5	+ve
24	Compliance Report on Corporate Governance	87.5	93.75	100	100	100	96.25	+ve
25	Subsidiary companies	93.75	87.5	93.75	87.5	87.5	90	+/-
	OTHER COMMITTEES & INFORMATION							
26	Stakeholder relationship committee	100	100	100	100	100	100	Full DS

27	Shareholders'/ investors grievance/ complaints	75	93.75	100	100	100	93.75	+ve
28	Nomination and remuneration committee	100	100	100	100	100	100	Full DS
29	Risk management	100	93.75	93.75	93.75	100	96.25	+/-
30	General Shareholder Information	100	100	100	100	100	100	Full DS
31	Disclosure on accounting treatment	25	18.75	18.75	12.5	18.75	18.75	+/-
32	CSR Committee	93.75	93.75	93.75	93.75	93.75	93.75	=
33	Research & Development Committee	12.5	6.25	6.25	6.25	6.25	7.5	- ve
34	Loan & Investment Committee	25	12.5	6.25	6.25	6.25	11.25	- ve
	NON-MANDATORY DISCLOSURE							
35	Whistle Blower Policy	93.75	100	100	100	100	98.75	+ve
36	Training of the Board Members	81.25	100	100	100	100	96.25	+ve
37	Audit Qualification	56.25	68.75	87.5	81.25	87.5	76.25	+/-
38	Shareholder Rights	50	37.5	43.75	43.75	43.75	43.75	+/-
	AVERAGE	86.84	86.84	87.99	87.33	88.49	87.5	

Here, +ve = Positive trend, -ve = Negative trend, +/- = Fluctuating trend

Above table shows the item wise corporate governance disclosure of selected Nifty 50 companies during the five years from 2016-17 to 2020-21. Mainly corporate governance report of any company discloses information of above types like statement of philosophy, details regarding board of directors, audit committee, details of general body meetings, other mandatory disclosure requirements, details of other committees and some non-mandatory disclosure items. Most of the mandatory items have the full disclosure during the study period.

Following items show the 100% disclosure during the study period:

Statement of company's philosophy on code of governance, composition of the board, details of directors' membership in other companies and committees, no. of board meetings held in a year, date and attendance of each director in a board meeting, details of audit committee, details on general body meetings, details and compliance of code of conduct, management discussion & analysis report, remuneration to directors, means of communication, stakeholder relationship committee details, nomination and remuneration committee details, and general shareholders information.

Certain items show the increasing trend in the disclosure like CEO/ CFO certification, compliance report on corporate governance, Shareholders'/ investors grievance/ complaints, whistle blower policy, and training to board members. Some items of information have the fluctuating trend in the disclosure during the study period like disclosure of tenure and age limit of directors, power and role of audit committee, significant related party transactions, non-compliance by the company, risk management, disclosure on accounting treatment, audit qualification, shareholders' rights etc.

To check the differences in the item wise disclosure score of selected corporate governance information, the following null hypothesis has been developed and tested with the statistical tool like ANOVA:

H₀ = There is no significant differences in the item wise corporate governance disclosure information scores.

TABLE 1.2

RESULTS OF ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	130171.875	37	3518.159	191.199	.000
Within Groups	2796.875	152	18.400		
Total	132968.750	189			

Results of the analysis of variance supports the hypothesis of the researcher. Here, significance value is 0.000 at 5% level of significance and the F value is 191.20. So, the null hypothesis that there is no significant difference in the item wise corporate governance disclosure score during the study period has been rejected. So, a significant difference has been found in the mean disclosure score of corporate governance information items.

[1.7] COMPANY WISE CORPORATE GOVERNANCE DISCLOSURE INDEX

Over here, an unweighted corporate disclosure index has been constructed for all the 16 selected companies of Nifty 50 during the study period of five years from 2016-17 to 2020-21. It is calculated as under:

Company wise Corporate Disclosure Index =

$$= \frac{\text{Total Score obtained by the company in any year}}{\text{Total Score Assigned [38]}} \times 100$$

So, the corporate disclosure index of all the selected 16 companies during the five years is as under:

TABLE 1.3**COMPANY WISE CORPORATE GOVERNANCE DISCLOSURE INDEX**

COMPANY NAME	2016-17	2017-18	2018-19	2019-20	2020-21	Average	Rank
Maruti Suzuki	73.68	84.21	84.21	84.21	84.21	82.10	15
M & M	92.11	92.11	94.74	94.74	97.37	94.21	1
Ultratech	78.95	84.21	86.84	86.84	89.47	85.26	13
Grasim	89.47	89.47	89.47	86.84	89.47	88.94	7
HUL	92.11	92.11	92.11	92.11	92.11	92.11	3
ITC	89.47	89.47	89.47	89.47	89.47	89.47	5
Infosys	84.21	84.21	89.47	84.21	86.84	85.79	10
TCS	81.58	86.84	86.84	86.84	86.84	85.79	10
Hindalco	86.84	89.47	89.47	89.47	92.11	89.47	5
Tata Steel	78.95	78.95	84.21	86.84	86.84	83.16	14
ONGC	89.47	76.32	76.32	76.32	78.95	79.48	16
Reliance Ind.	89.47	86.84	86.84	84.21	86.84	86.84	9
NTPC	94.74	92.11	92.11	92.11	92.11	92.64	2
Power grid	94.74	89.47	92.11	89.47	89.47	91.05	4
Sun pharma	84.21	84.21	86.84	86.84	86.84	85.79	10
Divis Lab	89.47	89.47	86.84	86.84	89.47	88.42	8

Again, to examine the differences in the mean disclosure index of corporate governance information by the selected companies, the following null hypothesis has been used and tested with the tool like analysis of variance:

H_0 = There is no significant difference in the corporate governance disclosure index of selected Nifty 50 companies of India.

The results of analysis of variance are as under:

TABLE 1.4
RESULTS OF ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1212.986	15	80.866	10.621	.000
Within Groups	487.266	64	7.614		
Total	1700.252	79			

The results of the analysis of variance show the significant difference in the mean disclosure scores of all selected companies. Here, the significance value is 0.000 and F value is 10.621 at 5% level of significance. So, the null hypothesis that there are no significant differences in the mean disclosure index of selected Nifty 50 companies of India has been rejected and researcher hypothesis has been accepted.

[1.8] FINDINGS & CONCLUSION

In the present paper, first corporate governance disclosure index has been constructed by taking total 38 parameters or items as per the revised Clause 49 by SEBI and disclosure made by selected companies in

their corporate annual reports. Then after, item wise corporate governance disclosure score and company wise corporate governance disclosure index has been constructed during the five years of study period from 2016-17 to 2020-21. To check the differences in the disclosure made in all the items and differences in the disclosure scores of selected companies, the test like One way ANOVA has been calculated. The results of test show the significant differences in the item wise corporate governance disclosure scores as well as in the mean corporate governance disclosure index of selected companies during the study period.

So, it can be concluded that after the application of the revised Clause 49 by SEBI, a considerable improvement or change can be seen in the mandatory as well as voluntary corporate governance disclosure of selected Nifty 50 companies. Companies and government are now understanding the importance of good and systematic corporate governance disclosure. So, it can be said that transparency, uniformity and consistency in the corporate governance disclosure in the annual reports of companies definitely creates a good and prominent impression in the mind of public, shareholders and government. In short, by various mandatory requirements made under revised Clause 49 created a sense of responsibility and accountability for the company management and their representatives like directors, key managerial personnel and managers towards the all interested parties.

[1.9] REFERENCES

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