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CORPORATE GOVERNANCE PRACTICES: A COMPARATIVE STUDY OF INFOSYS LTD AND WIPRO LTD

Dr.Meenu Maheshwari* **Mrs.Sapna Meena****
**Assistant Professor ,Department of Commerce and Management,University of Kota ,KOTA(Raj.)*
***Research scholar, Department of Commerce and Management,University of Kota ,KOTA(Raj.)*

Abstract
This study aimed that to investigating Corporate Governance disclosure and practices in BSE listed companies (INFOSYS LTD AND WIPRO LTD). Revised Clause 49 of the SEBI guidelines on Corporate Governance is taken as the benchmark for this study. The concept of Corporate Governance gained further momentum after the sudden crash of Enron, Worldcom, Xerox, Lehman brothers and the crisis of Satyam one of the biggest frauds in India's corporate history. Lack of transparency and poor disclosures in the annual reports are blocking the stakeholders from ascertaining the well being of the corporate houses. As a consequence investor community urged for improvements in governance practices. In today's world of globalization the concept of Corporate Governance had taken an important place. The study tries to find the trend of disclosure of Corporate Governance practices followed by Infosys Ltd and Wipro Ltd On the basis of detailed analysis of Corporate Governance Practices of two companies. It is found that, Wipro Ltd believes in adopting and adhering to the best recognized corporate governance practices and continuously benchmarking itself against each such practice. The company believes that best board practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value. The philosophy on corporate governance is an important tool for shareholder protection and maximization of their long term values. Also, In Infosys Ltd is committed to the best practices in the area of Corporate Governance, in letter and in spirit. The company believes that good Corporate Governance is much more than complying with legal and regulatory requirements. The article reached on a conclusion that corporate governance practices are more satisfactory in Wipro Ltd as compared to Infosys Ltd.

Keywords-: Corporate governance, Board of director, Code of conduct, Key parameters.

1. INTRODUCTION
In recent terms high quantities of domestic and international capital is being availed by business. A prime benefit of Corporate Governance is the improvement in the prospects for attracting long-term capital. Good Corporate Governance practices must be evolved in order to attract international investors and also encourage domestic investors. The word Corporate Governance is a relatively new addition to the vocabulary of management science in Japan, said the CEO of Mitsubishi Corporation. Corporate Governance refers to the relationship that exists between the different participants and defining the direction and performance of a corporate firm. The main actors in Corporate Governance are- (a) the CEO (b) the board of directors (c) the shareholders. Corporate Governance consists of strategies, processes and laws through which a firm is directed and controlled. It focuses on the safety of all the stakeholders and company goal.

The concept of Corporate Governance gained further momentum after the sudden crash of Enron, Worldcom, Xerox, Lehman brothers and the crisis of Satyam one of the biggest frauds in India's corporate history. Lack of transparency and poor disclosures in the annual reports are blocking the stakeholders from ascertaining the well being of the corporate houses. As a consequence investor community urged for improvements in governance practices. In today's world of globalization the concept of Corporate Governance had taken an important place. Successful attempts are being made now to ensure that companies adopt good Corporate Governance practices all over the world by forming and implementing. Corporate Governance standards. Good Corporate Governance will also help to survive in an increasingly competitive environment through mergers, acquisitions, partnerships and risk reduction through assets diversification. Also adopting good Corporate Governance practices leads to a better system of internal control this leading greater accountability and better profit margins.

India also reported the biggest corporate fraud at Satyam perpetrated over several year. Only to explode in 2009, these developments also led to the appointment of various committees among them, those under the chairmanship of Sanjeeva reddy (1999), Naresh Chandra (2004), Jamshed Irani (2005), Kumar Mangalam Birla (1998) and Narayana Murthy (2006) by SEBI, generally to recommend measures to improve Corporate Governance, investor protection, independent audit. After considering the feedback from the public, a company's bill was drafted by the ministry in 2009 largely based on the recommendation of the Irani Committee. It was presented again with further improvement in 2011 and finally entered the statute book in 2013 and after issue of secondary legislation under the "Companies Act 2013" SEBI governance reforms in respect of listed companies were announced in 2014. The companies Act of 2013 is indeed an immensely significant legislation in the history of corporate law in India.

2. REVIEW OF LITERATURE

This section deals with review of literature related to corporate governance disclosures and practices. This part throws light on various articles, working papers, research papers published at International and National level.

M.D.Rama(2012), examine that how the Corporate Governance of family owned business group, the most dominant form of private sector organizing in Asia deal with different form of corruption during the course of common business transaction. The result of the study provide empirical evidence into corruption's impact on Asian business group and contribute the knowledge on the between institution and the efficacy of Corporate Governance.

S.Pande and K.V.Kaushik(2012), complies a history of the evolution of corporate governance reforms in india and through a survey of existing research, identifies issue that are peculiar to the indian context and which are not being adequately addressed in the existing corporate governance framework . This paper suggest the need for research in the field of corporate governance research that would support policy formation in order to make the next generation of corporate governance reforms more effective for the Indian conditions.

S.M. Amba (2013) examines the impact of Corporate Governance variables on firm's financial performance. CEO duality, proportion of non-executive directors and leverage has negative influence and board member as chair of audit committee, proportion of institutional ownership has positive influence on firm's financial performance. Writers also suggested that the regression model depicting the effect of Corporate Governance variables on firm's financial performance is statistically highly significant.

George T. Peter and K.B. Bagshaw (2014) studied that most of the Corporate Governance items were disclosed by the firms. The result also showed that the banking sector has the highest level of Corporate Governance disclosure compared to the other two sectors. This study found that there were no significant differences among firms worth low Corporate Governance quotient and those with higher Corporate Governance in terms of their financial performance.

Bajpai and M. Mehta (2014) compared between two Indian companies in Corporate Governance practices, for this purpose writers evaluating both with respect to compliance to SEBI's requirement of clause 49 A&B writers tell, as per good Corporate Governance norms the chairman of the board and the CEO should be different persons and both the offices should not be held by same person.

M. Maheshwari and S. Meena (2014) tried to investigate to the trend of disclosure of Corporate Governance practices followed by SBI and they observe that SBI is showing maximum compliance towards Corporate Governance norms.
V.N. Mauga and R.S. Sharma (2015) dealt to the specificity of governance of governance in Islamic banks which face Double Governance. Anglo Saxon governance system and Islamic Governance system. Their most attention to measure the impact of Corporate Governance variables a financial performance through an empirical study on a sample of Islamic bank and their study implies that there was a very strong relationship between the variables of governance and financial performance.

Namita Rajput and Bharti (2015) Using panel regression the relationships between share holder types and financial performance as measured by Tobin's G., ROA, ROE were tested taking a sample of BSE 100 companies and their result showed significant positive influence of foreign institutional investors and family ownership on ROE whereas government and retail shareholder affect ROE negatively. Also the Corporate Governance index has a significantly negative impact on ROE.

3. RESEARCH METHODOLOGY

i) Objectives

There were several changes brought by government for corporate may adopt better governance. All these measures have brought about a metamorphosis in corporate that realized that investors and society are serious about Corporate Governance. Following objectives are of this study in the light of above mentioned reason-

- To understand the term Corporate Governance and importance in the Indian Company.
- To evaluate Corporate Governance standards and disclosure practices.
- To make a comparison of Corporate Governance practices among selected companies (BSE listed companies).
- To develop Corporate Governance disclosure index on the basis of Financial and Non-financial disclosures.

ii) Sample Size and Collection of data

The sample comprises of two Indian companies which are related to IT sector and listed in the BSE which have included in

BSC Top-100 Index. Reasons for selecting these companies that they are renowned players in their sectors. This research will be based on the basis of secondary data. Present study has considered the duration of a Financial year 2014-15. All data and information has collected from annual reports of each selected companies.

iii) Hypotheses -

$H1_0$: BSE listed companies (selected companies) does not show compliance with Corporate Governance standard and disclose practices mentioned in clause 49 of listing Agreement.

$H1_1$:BSE listed companies (selected companies) show compliance with Corporate Governance standard and disclose practices mentioned in clause 49 of listing Agreement.

4. INTERPRETATION AND ANALYSIS

This section comprises comparative analysis of states of Corporate Governance among two companies (Infosys Ltd and Wipro Ltd) for the financial year 2014-15. For this purpose companies performance is measured against certain governance parameter. The research has been under taken to assess the level of compliance to key governance parameter in these companies in tune with statutory and non-mandatory requirements given by SEBI under clause 49 for listing agreement. There are some key governance parameters that can measure to ascertain the implementation of corporate governance in banks. Some of these are :- Chairman and CEO duality**,** Disclosure of tenure & age limit of directors, Disclosure of Definition of Independent director, Definition of Financial Expert, Selection criteria of Board of Directors including Independent directors, Post Board Meeting follow up system and compliances of the Board Procedure, Appointment of Lead Independent Director, Board Committees such as Audit committee, Remuneration committee, Shareholders' Grievances committee, Formation committee, Disclosure and Transparency, General body meeting, Means of communication and general shareholder information, CEO/CFO certification, Compliance of Corporate governance and Auditors' certificate, Disclosure of stakeholder interest. Environment, Health & Safety measures (EHS), Human Resource Development initiative (HRD), Corporate Social Responsibility (CSR), Industrial Relation (IR).

Table I, Criterion for Evaluation of Governance Standard of Infosys Ltd and Wipro Ltd for the Financial Year 2014-15

S.NoNnoNo.	**Governance Parameters**	**Points/ Score**		**Infosys Ltd**	**Wipro Ltd**
1.	Statement of company's Philosophy on code of Governance		2	2	2
2.	Structure and Strength of the Board		2	2	2
3.	**Chairman and CEO Duality** i) Promoter Executive Chairman- cum-MD/CEO ii) Non-Promoter Executive Chairman-cum-MD/CEO iii) Promoter Non-Executive Chairman iv) Non-Promoter Non-Executive Chairman v) Non-Executive Independent Chairman	 1 2 3 4 5	5 (Max.)	 - - - - 5	 - - - - 5
4.	Disclosure of tenure & age limit of directors		2	2	2
5.	Disclosure of i) Definition of Independent director ii) Definition of Financial Expert iii) Selection criteria of Board of Directors including Independent directors	 1 1 1	3 - - -	 1 1 1	 1 - 1
6.	Post Board Meeting follow up system and compliances of the Board Procedure		2	2	2
7.	Appointment of Lead Independent Director		2	-	2
8.	Disclosure of other provisions as to the Boards and committees		1	1	1
9.	**Disclosure of :** i) Remuneration Policy ii) Remuneration of Directors	 1 1	2	 1 1	 1 1
10.	**Code of Conduct :** i) Information on Code of Conduct ii) Affirmation of compliance	 1 1	2	 1 1	 1 1

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11.	**Board Committees :**		8		
A	**AUDIT COMMITTEE :**				
	i) Transparency in composition of the committee.	1		1	1
	ii) Compliance of minimum requirement of no. of Independent Directors in the committee.	1		1	1
	iii) Compliance of minimum requirement of the number of committee meetings.	1		1	1
	iv) Information about literacy & financial expertise of the committee.	1		1	0
	v) Information about participation of head of finance, statutory auditors, chief internal auditors, and other invitees in the committee meetings.	1		0	0
	vi) Disclosure of audit committee charter & terms of reference.				
	vii) Publishing of committee report	2		2	2
		1		1	1
B.	**REMUNERATION / COMPENSATION COMMITTEE :**		6		
	i) Formation of the committee	1		1	1
	ii) Information about number of committee meetings.	1		1	1
	iii) Compliance of minimum requirement of no. of Non-Executive Directors in the committee.	1		1	1
	iv) Information about participation of meetings.	1		1	1
	v) Publishing of Committee report.	2		2	2
C.	**SHAREHOLDERS'/INVESTORS' GRIEVANCES COMMITTEE :**		5		
	i) Transparency in composition of the committee	1		-	1
	ii) Information about nature of complaint & queries received and disposed-item wise.	1		-	1
	iii) Information about number of committee meetings	1		-	1
	iv) Information about action taken and investors/shareholder survey	1			-
	v) Publishing of committee report	1		-	1
D.	**FORMATION COMMITTEE :**		2		
	i) Formation of the committee	1		-	1
	ii) Publishing of committee charter and report	1		-	-
E.	HEALTH SAFETY AND ENVIORNMENT COMMITTEE :		1	-	1
F.	ETHICS AND COMPLIANCE COMMITTEE :		1	-	-
G.	INVESTMENT COMMITTEE :		1	-	-
H.	SHARE TRANSFER COMMITTEE :		1	-	1
12.	**Disclosure and Transparency :**		25		
	i. Significant related party transaction having potential conflict with the interest of the company	2		2	2
	ii. Non-compliance related to capital market matters during the last 3 years.	2		2	2
	iii. Board disclosure-Risk Management	2		2	2
	iv. Information to the board on risk management	2		2	2
	v. Publishing of risk management report	1		1	1
	vi. Management discuss and analysis	2		2	2
	vii. Shareholders				
	• Appointment of new director/re-appointment of retiring directors	1		1	1
	• Quarterly results & presentation	1		1	1
	• Share-Transfers	1		1	1
	• Directors' responsibility statement	1		1	1
	viii. Shareholder right				
	ix. Audit Qualification	2		2	2
	x. Training of board members	2		-	-
	xi. Evaluation of non-executive directors	2		2	2
	xii. Whistle Blower Policy	2		2	2

		2		2	-
13.	**General Body Meetings :** i) Location and time of General Meetings held in last 3 years ii) Details of Special Resolution passed in the last 3 AGMs/EGMs iii) Details of resolution passed last year through Postal Ballot including the name of conducting official and voting procedure	1 1 1	3	1 1 1	1 1 1
14.	**Means of Communication and General Shareholder Information**		2	2	2
15.	**CEO/CFO certification**		2	2	2
16.	**Compliance of Corporate Governance and Auditors' Certificate :** i) Clean certificate from auditors ii) Qualified certificate from auditors	5 10	10 (Max)	5 -	5 -
17.	**Disclosure of stakeholders' interest :** i) Environment, Health & Safety measures (EHS) ii) Human Resource Development initiative (HRD) iii) Corporate Social Responsibility (CSR) iv) Industrial Relation (IR) v) Disclosures of policies on EHS, HRD, CSR, & IR	2 2 2 2 2	10	2 2 2 1 1	2 2 2 1 2
	TOTAL		**100**	**77**	**83**

Observation from table –
1) Both companies have good corporate governance practices.
2) The performance of Wipro Ltd is better than Infosys Ltd.

5. CONCLUSION

It is observed that in this research alternative hypothesis has been proved that BSE listed companies (selected companies) show compliance with Corporate Governance standard and disclose practices mentioned in clause 49 of listing Agreement. The article reached on a conclusion that corporate governance practices are more satisfactory in Wipro Ltd as compared to Infosys Ltd. It is observed that Wipro Ltd is keen implementing best practices with regard to Corporate Governance practices. The positive aspects of Wipro Ltd Corporate Governance practices include board Corporate Governance Philosophy, requisite and sufficient number of board members with large representation of non-executive director. But Infosys Ltd also followed good Corporate Governance Practices.

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