



A COMPARATIVE STUDY ON CORPORATE GOVERNANCE DISCLOSURE PRACTICES IN LISTED INFORMATION TECHNOLOGY COMPANIES IN INDIA

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Abstract: In India, concerns about corporate governance have mostly arisen as a result of economic liberalization, the deregulation of business and industry, and calls for new corporate ethics and more stringent adherence to the law. This research examines the issue of corporate governance disclosure practices in the Indian corporate IT sector, which includes Tata Consultancy Services Ltd., Infosys, Wipro, HCL Technologies, and Tech Mahindra. For this purpose, the researcher has prepared the index in accordance with the obligatory and optional regulations released by SEBI in 2015 and the Companies Act 2013. Corporate Governance disclosure practices of the firms evaluated in the IT industry have been compared using the Kruskal-Wallis test. For the purpose of the analysis, annual reports for the fiscal year 2022–2023 have been taken into consideration. According to the survey, there are only a few variations in following disclosure practices among the companies. All five IT companies disclose almost all of their corporate governance-related information. Infosys is the company to receive the top rating, according to the study. In order to combat fraud and scams, SEBI develops a tight daily Corporate Governance system. However, in order to safeguard shareholder interests and ensure greater transparency in corporate operations, SEBI should adopt even more stringent measures to prevent fraud of any sort and ensure fair trading in the stock market.

Keywords: IT Companies, Nifty Index, SEBI, Clause 49 of the Companies Act of 2013, and corporate governance.

1. Introduction

The cornerstone of business excellence is corporate governance. It is a continuous indicator of superior achievement of a company's goals, with the goal of turning chances into reality. It emphasizes treating all stakeholders fairly. The phrase "Corporate Governance" refers to the framework that guards against management abuse of authority and protects the interests of both shareholders and other stakeholders. Because Responsibility, Transparency, Fairness, and Accountability are the four key pillars of successful Corporate Governance, Corporate Governance aids in the establishment of a system where a director is burdened with the tasks and obligations of the affairs of the organization. Under Clause 49 of the listing agreement, the Securities Exchange Board of India (SEBI) has outlined a variety of obligatory and optional requirements for the firms to

be in accord about corporate governance. The scope of corporate governance in India has been expanded by Clause 49 of the listing agreement, which should establish a strong governance system. All listed firms are required by Clause 49 to provide a detailed report on the corporate governance disclosure practices they have adopted. Based on the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the study investigates corporate governance disclosure practices in a sample of organizations. This study aims to determine if IT companies abide by the statutory and optional corporate governance regulations established by the SEBI (Listing Obligations and Disclosure Requirements) Regulations of 2015.

2. Review of Literature

- Pankaj M. Madhani (2022) analyzed the subject of "Corporate Governance and Disclosure Practices in India". This study focuses on this area and seeks to compare cross-listing in the US to cross-listing in Europe, as well as differences in corporate governance and transparency practices between MNC subsidiaries and cross-listed enterprises. According to this study, MNC subsidiaries and cross-listed companies have statistically different corporate governance and transparency practices.
- **Anand Dusane and Ajay M. Bhamare's (2020)** analyzed the topic "Corporate Governance in IT Sector: A Comprehensive Study". According to them effective corporate governance in the IT sector is essential because it has a significant impact on society and the economy as a whole. The objective of this study is to assess the efficiency of corporate governance procedures in the Indian IT industry.
- **Meenu Maheshwari (2020)** studied the topic "Corporate Governance Practices in Indian Corporate IT Sector Included in BSE Sensex: A Comparative Study". The study concludes that all of the tested organizations have good levels of corporate governance disclosure practices. All BSE SENSEX-listed businesses in the IT sector complied with nearly all of the 2015 SEBI (Listing Obligations and Disclosure criteria) Regulations' sub-indices' criteria. The Infosys Ltd. received a Corporate Governance Index score of 95, the best possible.
- **Nishant Sharma and Ruchita Dang (2015)** conducted research on the subject of "Corporate Governance in Indian IT Sector" and provided an overview of what corporate governance entails with relation to the industry's five most prominent players: TCS, HCL, WIPRO, INFOSYS, and TECH-MAHINDRA. They said that despite fierce rivalry, Indian IT businesses are leading the way in global commerce because of highly strict and diligent governance practices throughout the whole IT sector.
- **M. Subramanyam and Himachalam Dasaraju (2014)** conducted a research on the topic "Corporate Governance and Disclosure Practices in Listed Information Technology (IT) Companies in India". They examined the level of disclosure regarding corporate governance practices among the largest IT companies in India (in terms of exports as per Electronics and Computer Software Export Promotion Council (ESC) from 2004–2005 to 2011–2012) and its effects on performance and profitability. Results of the research using the Standard & Poor's scorecard to evaluate the corporate governance disclosure practices of the firms as a standard, a survey of six IT companies were conducted. It has been noted that among the sample IT businesses, Infosys, Wipro, TCS, and HCL scored highly in terms of corporate governance disclosure practices—more than 100—while Tech Mahindra and Mphasis fared poorly—less than 96.

3. Research Methodology

3.1 Objectives of the Study

- To Construct the Corporate Governance Disclosure Index based on the mandatory and non-mandatory disclosure requirements established by SEBI in the 2015 SEBI (Listing Obligations and Disclosure Requirements) Regulations and the 2013 Companies Act.
- To conduct a comparison of corporate governance disclosure practices across the sampled IT firms (Tata Consultancy Services Ltd., Infosys Ltd., Wipro Ltd., HCL Technologies Ltd., and Tech Mahindra) using an index score.

3.2 Sample size and Collection of data

The five IT sector companies that are listed on the NIFTY stock market are the subject of this research. As the IT sector plays a significant role in the growth of an economy, the researcher selected the top IT Companies in this area as the sample selection criteria. For the purposes of the study, the five companies—Tata Consultancy Services Ltd., Infosys Ltd., Wipro Ltd., HCL Technologies Ltd., and Tech Mahindra—are regarded as representative sample. Market capitalization is used as a base to choose these companies. The fiscal year 2022–2023 has been taken into consideration for the study's purposes. This study is totally supported by secondary data. The revised corporate website has extracted all pertinent data from the annual report. Additional data has been acquired from several papers, research, etc.

3.3 Hypothesis

H₀: There is no significant difference in showing the Corporate Governance disclosure practices among the selected companies of the IT sector as per SEBI regulation.

H₁: There is significant difference in showing the Corporate Governance disclosure practices among the selected companies of the IT sector as per SEBI regulation.

4. Interpretation and Analysis

Five IT companies listed in the Nifty Index are the subject of a comparative examination of corporate governance disclosure practices for the fiscal year 2022-2023 in this study. The performance of the organization has been compared to certain governance parameters for this reason. The goal of the study is to evaluate how well these firms complied with the required and optional standards set forth in the Companies Act of 2013 and the SEBI (Listing Obligations and Disclosure Standards) Regulations of 2015. A 100-point index that gives each governance characteristic the proper weight in terms of points based on how important it is has been developed to assess how closely these organizations are adhering to governance standards. As shown in Table 2, the key governance parameters and the criterion for evaluating governance have been determined on a 100-point scale using 18 parameters, each of which has a mandatory and optional sub-parameter. These parameters were chosen based on research, the Companies Act of 2013, Clause 49 of the Listing Agreement, the SEBI (Listing Obligations and Disclosure Requirements) Regulations of 2015, and the model proposed by S.C. Das. Companies will be rated on a five-point scale as shown in Table 1 below after total scores on the factors listed in Table 2 have been determined.

Table 1: Score Result

Marks	Remarks
90-100	Excellent
75-89	Very Good
60-74	Good
50-59	Satisfactory
0-49	Bad

Table 2: Criterion for Evaluation of Governance Standard of IT Companies for the Financial Year 2022-2023

S. NO.	Governance Parameters	TCS	Infosys	Wipro	HCL Technologies	Tech Mahindra	Points	Total
1)	Company's Philosophy Statement	1	1	1	1	1	1	1
2)	The Board membership and BOD meetings were held							5
i)	Not below 50% of the administration having non-executive members.	1	1	1	1	1	1	
ii)	At least one woman director	1	1	1	1	1	1	
iii)	1/3 members support needed for the Non-executive head and 1/2 members support needed to the executive head.	1	1	1	1	1	1	
iv)	A minimum four meetings with the BOD in one year.	1	1	1	1	1	1	
v)	Record for attendance of BOD meetings	1	1	1	1	1	1	
3)	Chairman and CEO Division							5
i)	Head of the company as promoter						1	
ii)	Head of the company as Non-Promoter						1	
iii)	Non-Executive head as promoter						1	

iv)	Non-Executive head as non-promoter.	1					1	
v)	Non-Executive Independent Head		1				1	
4)	Limitations regarding age and tenure of the Director	2	2	2	2	2	2	2
5)	Guidelines for the Independent Director (ID)							6
i)	Independent Director description.	1	1	1	1	1	1	
ii)	Orientation program with the Details of training for the Independent Directors	1	1	1	1		1	
iii)	Separate meeting of the ID.	1	1	1			1	
iv)	Recruitment terms and conditions given on the company website as a selection criterion.	1	1	1	1		1	
v)	Formal letter of appointment of ID.	1	1	1	1	1	1	
vi)	Independent Directors Limit - As full time it should be 3 and as part time it should be 7.	1	1	1	1	1	1	
6)	Benefit Disclosure:							2
i)	Payment rule	1	1	1	1	1	1	
ii)	Earning to the directors	1	1	1	1	1	1	
7)	All companies Administration status:	2	2	2	2	2	2	2
8)	Code of Conduct							2
i)	Details regarding the standards of ethics	1	1	1	1	1	1	
ii)	Conformity acknowledgement	1	1	1	1	1	1	
9)	Post board meeting follow-up of Board procedure method and compliances.	2	2	2	2	2	2	2

10)	Board Committees :								
A)	AUDIT COMMITTEE :								8
i)	Accountability in committee structure.(Skilled and Independent)	1	1	1	1	1	1		
ii)	Acknowledgement of the committee's minimum provision of Independent Directors No. (Three director minimum and 2/3 member ID minimum)	1	1	1	1	1	1		
iii)	Required to comply at least 4 meetings as mandatory standard with the executive board members.	1	1	1	1	1	1		
iv)	Committee information on literacy & financial skills.	1	1	1	1	1	1		
v)	Data on involvement in committee meetings by Finance Head, Legal Examiners, Main Internal Accountants and other invited individuals.	1	1	1	1	1	1		
vi)	License & tenure conditions of audit committee.	2	2	2	2	2	2		
vii)	Disclosure of Committee report	1	1	1	1	1	1		
B)	NOMINATION AND REMUNERATION COMMITTEE :								6
i)	Committee Establishment	1	1	1	1	1	1		
ii)	Committee meetings details	1	1	1	1	1	1		

iii)	At least 3 members required as Non-Executive Directors in the committee	1	1	1	1	1	1	
iv)	Keeping independent director as committee head according to the rule	1	1	1	1	1	1	
v)	Meetings Participation details	1	1	1	1	1	1	
vi)	Disclosure of Committee report.	1	1	1	1	1	1	
C)	SHAREHOLDERS'/ STAKEHOLDERS' RELATIONSHIP COMMITTEE :							5
i)	Clarity in board layout	1	1	1	1	1	1	
ii)	Produced and removed-item details about existence of concern & questions accordingly.	1	1	1	1	1	1	
iii)	Number of committee meetings details	1	1	1	1	1	1	
iv)	Information about action taken and investors/shareholder survey	1	1	1	1	1	1	
v)	Statement of board reporting	1	1	1	1	1	1	
D)	Risk Management Committee:							2
i)	Setting up of committee	1	1	1	1	1	1	
ii)	Constitution acknowledgement of policy document	1	1	1	1	1	1	
E)	Added Board:							4
i)	Board on health & welfare and the climate	1	1	1	1	1	1	
ii)	CSR and Sustainable Development Committee	1	1	1	1	1	1	

iii)	Investment group		1			1	1	
iv)	Other panel				1	1	1	
11)	Reporting and Accountability:							24
i)	Failing to comply in the past 3 years in relation to capital market problems.	2	2	2	2	2	2	
ii)	Managing Hazard statements	2	2	2	2	2	2	
iii)	Data regarding Risk Management	2	2	2	2	2	2	
iv)	Considerable party agreement which can interfere with the company's interests	2	2	2	2	2	2	
v)	Risk Assessment Report released	1	1	1	1	1	1	
vi)	Management decisions and review	2	2	2	2	2	2	
vii)	Information to Shareholders-							4
	<ul style="list-style-type: none"> Appointment of new director/re-appointment of retiring directors 	1	1	1	1	1	1	
	<ul style="list-style-type: none"> Quarterly results & presentation 	1	1	1	1	1	1	
	<ul style="list-style-type: none"> Share-Transfers 	1	1	1	1	1	1	
	<ul style="list-style-type: none"> Directors' responsibility statement 	1	1	1	1	1	1	
viii)	Ownership status	2	2	2	2	2	2	
ix)	Qualifying audit	2	2	2	2	2	2	
x)	Professional development Members of the Group	2	2	2	2	2	2	
xi)	Assessment of non-executive heads	2	2	2	2	2	2	
xii)	Resignation of Director with reason	1	1	1	1	1	1	
12)	Public Meetings:	3	3	3	3	3	3	3

	<ul style="list-style-type: none"> • Meetings held timing and place • Special Resolution • Voting Procedure 							
13)	Means of Communication and General Shareholder Information	2	2	2	2	2	2	2
14)	Whistle-blower procedure & monitoring system	2	2	2	2	2	2	2
15)	Executive Report	2	2	2	2	2	2	2
16)	Accreditation with Certification of Corporate Governance and Auditors:	5	5	5	5	5	5	5
17)	Rules and regulations for preventing insider trading	5	5	5	5	5	5	5
18)	Documentation of interested parties:							5
i)	Health & Welfare measures	1	1	1	1	1	1	
ii)	Personnel Management	1	1	1	1	1	1	
iii)	Social Responsibility of Companies	1	1	1	1	1	1	
iv)	Relations with the labor						1	
v)	Details of above policies	1	1	1	1	1	1	
	TOTAL	93	94	92	92	91	100	100

Source: Annual Reports of Selected Businesses.

The table above clearly shows that all five organizations have total scores more than 90, indicating that they all implement corporate governance disclosure practices very well.

5. Findings and Suggestions

5.1 Findings

The index table revealed the following details:

- Every business has a unique code of governance.
- All five firms' boards of directors are properly formed, with an appropriate mix of independent, non-executive, and executive directors.
- The Board of Directors of a company must meet a minimum of four times with a maximum interval of 120 days, as per SEBI regulations. The five companies all adhere to it.
- All Companies disclose the tenure and age limit of Board members according to SEBI's Regulations.
- The training program for ID is described in full in each company's yearly report.
- All businesses follow up after board meetings and make sure the board protocol is followed.
- Companies are required by SEBI regulations to publish the remunerations of its directors. Every company has a remuneration policy that addresses the remuneration of the director.
- All businesses must adhere to the regulations set out by statutory committees such as the audit, stakeholder relations, compensation, risk management, and corporate social responsibility committees.
- Insider trading and related-party transactions are covered by the company's overall policy.
- Companies provide shareholders with information on the appointment of new directors, the company's and the directors' quarterly results, and accountability statements.
- Companies provide information on the AGM and the special resolutions adopted at the three AGMs. They also provide information about the venue to its stakeholders.
- For corporate governance compliance, every company has an auditor's certificate.
- To control, track, and report insider trading, all companies have implemented an insider trading policy.
- Every company has a whistleblower policy and monitoring mechanism.
- Every business carries out its corporate social responsibility.

5.2 Suggestions

TCS received 93, Infosys 94, Wipro 92, HCL Technologies 92, and Tech Mahindra 91 scores, according to the Index table. Although the company's grades are all good, the following recommendations should be implemented if it wants to get full marks:

- Companies should give detailed information about their chairman and CEO divisions.
- Tech Mahindra should provide information about the orientation program and the details of training for the Independent Directors.
- HCL Technologies and Tech Mahindra should conduct separate meetings of the independent directors.
- Tech Mahindra should also describe Recruitment terms and conditions on the company website as a selection criterion.
- TCS, Wipro, and Infosys should provide detailed information about other companies.
- Companies should disclose information about their relation with labor.

6. Comparison of IT Companies with Corporate Governance Standards and Disclosure for 2022-23

According to the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, scores have been obtained for all five IT companies, Infosys Ltd., TCS Ltd., Wipro Ltd., HCL Technologies, and Tech Mahindra, for the 18 parameters and their sub-parts of Corporate Governance Disclosure Practices. Using IBM SPSS 22, a one-way ANOVA has been applied to compare whether there is any significant difference in showing the Corporate Governance disclosure practices mentioned in the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 among the selected companies of the IT sector as per the SEBI regulation or not.

Table-3: Descriptive Statistics

IT Companies	N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
TCS	74	1.2568	.86104	.10009	.00	5.00
Infosys	74	1.2703	.84881	.09867	.00	5.00
Wipro	74	1.2432	.87289	.10147	.00	5.00
HCL Technologies	74	1.2432	.87289	.10147	.00	5.00
Tech Mahindra	74	1.2432	.87289	.10147	.00	5.00
Total	370	1.2514	.86112	.04477	.00	5.00

Interpretation: The above table clearly indicates that Infosys has the highest mean value, but there is not much of a difference among the mean values of the other four firms.

Table: 4 Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Scores	.358	370	.000	.681	370	.000

a. Lilliefors Significance Correction

Interpretation: The above table shows that the data value is not normally distributed as the p-value is less than 0.05. In this case, parametric tests cannot be applied. Therefore, the researcher is using a non-parametric test, i.e., the Kruskal-Wallis test.

Table: 5 Test Statistics^{a,b}

	Scores
Chi-Square	.099
Df	4
Asymp. Sig.	.999

a. Kruskal Wallis Test

b. Grouping Variable: Companies

The above table clearly indicates that the p value is insignificant, i.e., more than 0.05, indicating acceptance of the null hypothesis. It shows that there is no significant difference in following the Corporate Governance disclosure practices among the selected companies in the IT sector as per SEBI regulation.

7. Conclusion

It is clear from the study and interpretation shown above that companies in the IT sector have strong corporate governance practices. From the p-value, the alternative hypothesis has been rejected. During the fiscal year 2016–17, eight board meetings at Infosys, nine board meetings at TSCl, and five board meetings at Wipro Ltd. were conducted. In their annual reports, every company has revealed any changes to the composition of the board of directors. Additionally, the annual reports of all five companies provide information about the terms and conditions of the Independent Director's appointment. All three firms met all the necessary criteria of Clause 49 of the Listing Agreement and had statutory committees such as the Audit Committee, Stakeholders'

Relationship Committee, Remuneration Committee, Risk Management Committee, and Corporate Social Responsibility Committee. According to SEBI regulations, the Independent Director in all five companies serves as the head of the Audit Committee. Although all businesses practice excellent corporate governance, SEBI has to take more drastic measures to prevent fraud of any type and ensure fair trading in the stock market in order to protect stakeholders' interests and increase operational transparency. Corporate Governance transparency cannot function effectively without effective law and a free-from-corruption market environment. If mandatory governance practices are not followed, there should be a mechanism for penalties.

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