IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

INTRODUCTION TO CORPORATE GOVERNANCE – A BRIEF REVIEW

[1]Mrs. Akanksha Tigga, [2]Dr. Alisha Samad, [3]Ms. Sonali Arunima Dhan

[1]Assistant Professor, Gossner College, Ranchi, Jharkhand

[2]Assistant Professor, Gossner College, Ranchi, Jharkhand

[3]Doctoral Scholar, Banaras Hindu University, Varanasi

[1]Faculty of Commerce,

[1]Gossner College, Ranchi, India

Abstract: Corporate governance is one of the most common expressions in business vocabulary. In ancient times, ethics was referred to as corporate governance. However, in the recent era, it has become a fundamental norm for the corporate sector and, hence, plays a vital role in improving corporate performance. This article aims to introduce and briefly overview the topic of corporate governance. The study is based on secondary data collected by visiting different management journals, websites and books. The paper examines the literature on corporate governance. It brings together and summarises the basic concept of corporate governance, addressing its meaning and importance of understanding along with the principles and definitions given by various academicians and organisations.

Index Terms – Corporate Governance, Principles, Transparency, Accountable, Fairness, Responsibility

I. INTRODUCTION

Corporate governance is a set of principles, rules, practices and procedures through which a company is directed, governed and controlled for its short term and long-term actions. It is the set of rules that forms the basis for correct business operation for any organisation (Naciti et al., 2021). According to Pearson, the concept of corporate governance covers a set of rules, procedures and operational structures that guide companies' short-term and long-term actions. It also relates to laws, regulations and norms that create self-governing firms. Organisations with good corporate governance are self-governed and ensure that the stakeholders' interests are protected.

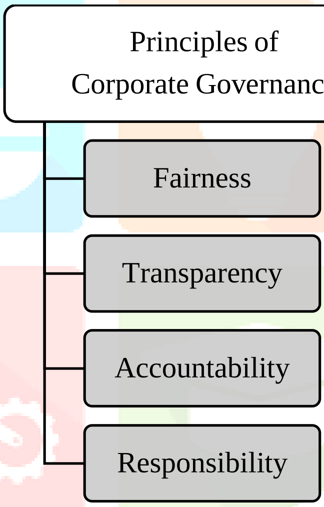
The term corporate governance is used to describe the organisation's way of directing and controlling its actions. A satisfactory narrow definition given by Sir Adrian Cadbury in 2003: Corporate governance is a system by which companies are directed and controlled. (Forum, 2005)(Khan, 2011). Further, a comprehensive definition provided by the Organisation for Economic Co-operation and Development (OECD) in 1999 states that corporate governance refers to the relationship between a company's board, shareholders, and other stakeholders. It provides the structure for setting the company's objectives, as well as determining how to achieve those objectives and monitor the performance and success of the organization (Forum, 2005) (Mallin, 2016). In the context of local government, corporate governance refers to the system, policies, and procedures and the values and cultures that support effective performance, leadership, and management that provide favourable results for customers, stakeholders and stewardship of public funds. (Mallin, 2016).

Corporate Governance has emerged as an important mechanism over the last decades. It has been referred to as the internal and external mechanism that is established to support a company to achieve its objectives. (Ahmed & Anifowose, 2024). The contemporary financial crises in financial institutions and rapid growth of privatization have reinforced the upgradation of corporate governance practices (Guluma, 2021) (OECD, 2004). Good corporate governance is essential for an organization since it enhances firm's image, boosts shareholders trust, and minimises the risk of fraudulent operations (Guluma, 2021).

II. IMPORTANCE

There is a need for corporate governance to create a corporate culture of transparency, accountability, openness, and awareness. It not just refers to the laws, policies, rules and regulations but also focuses on the ethical voluntary actions and practices so as to enable the companies to maximize the shareholder's long-term values.

Figure 1. Principles of Corporate Governance



Good Corporate Governance ensures efficient use of the company's capital and also considers the interest of a wide range of constituencies, including the communities within which they operate. Improved corporate governance promotes productivity, business dynamism, and transparency(Ahmed & Yahaya, 2024) and is further essential for competitive companies to thrive in efficient financial markets and create a compelling investment environment(Khan, 2011). An organisation exercises corporate governance to promote good management and societal practices and to improve relationships and interactions with various stakeholders such as employees, investors, business partners, government, consumers, etc.

Robust and effective corporate governance contributes to developing an integrity-driven company culture, resulting in improved performance and a more sustainable firm. Essentially, it exists to raise the accountability of all individuals and teams inside your organisation, attempting to prevent problems before they occur (Board Management, 2020)

III. DEFINITIONS BY ACADEMICIANS AND ORGANISATIONS

Table 1. Definitions by Academicians and Organisations

Sr No.	Academician/ Organization	Year	Definitions
1.	Fuxiu Jiang 1 and Kenneth A. Kim	2020	Corporate governance is closely tied to corporate social responsibility (CSR), which refers to a company's commitment to stakeholders such as employees, customers, suppliers, and communities, in addition to its shareholders.
2.	Sir Adrian Cadbury	1992	Corporate governance is concerned with balancing economic and social goals as well as individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources.
3.	N.R. Narayana Murthy	2003	The important point is that corporate governance is a concept rather than an individual instrument. It includes a debate on a company's appropriate management and control structures. Further, it includes the rules relating to the power relations between owners, the Board of Directors, management and, last but not least, the stakeholders such as employees, suppliers, customers and the public.
4.	Ira M. Millstein	2003	Corporate governance refers to that blend of law, regulation and appropriate voluntary private-sector practices that enable the corporation to attract financial and human capital, perform efficiently and thereby perpetuate itself by generating long-term economic value for its shareholders while respecting the interests of stakeholders and society.
5.	Arthur Levitt	n.d.	If a country does not have a reputation for strong corporate governance practices, capital will flow elsewhere. If investors are not confident with the level of disclosure, capital will flow elsewhere. Capital flows elsewhere if a country opts for lax accounting and reporting standards.
6.	Humera Khan	2011	Corporate governance refers to the processes, customs, rules, laws, and institutions that guide organisations and corporations' activities. It aims to achieve organisational goals and manage stakeholder relationships.
7.	Fernando et al.	2018	Corporate governance is crucial in ensuring a successful and sustainable business and is key to our long-term success.

8.	Commonwealth Association for Corporate Governance	1999	Corporate Governance is essentially about leadership: – leadership for efficiency; – leadership for probity; – leadership with responsibility; – leadership that is transparent and which is accountable.
9.	United Nations International Conference on Financing for Development, Monterrey,	2000	Corporate governance reform is vital for developing countries seeking to attract investment and strengthen their economies. It also aims to attract and enhance productive capital inflows, so countries must continue their efforts to achieve a transparent, stable, and predictable investment climate.
10.	Georgia State University and Institutional Shareholder Services (ISS) Research	2004	Companies with superior corporate governance practices tended to have better stock price performance, as well as higher profitability, larger dividend payouts, and lower risk levels than other similar companies in the same sector

IV. CONCLUSION

Corporate governance is a system designed to set principles and procedures that enable an organisation to retain its coherence. Its purpose is to assist companies in holding themselves accountable while also avoiding financial, legal, and ethical issues. Good corporate governance is critical to economies with a strong business base and promotes entrepreneurship(Khan, 2011). The direct benefits of having a robust corporate governance structure demonstrate the importance of corporate governance (Board Management, 2020). Therefore, given the benefits of effective corporate governance, companies and firms should voluntarily reform more (Claessens, 2006). Hence, strong corporate governance mitigates the risk of fraudulent actions in an organisation and ensures the smooth functioning of management, thereby enhancing the goodwill and reputation of the corporates.

REFERENCES

Ahmed, A., & Anifowose, M. (2024). Corruption, corporate governance, and sustainable development goals in Africa. Corporate Governance (Bingley), 24(1), 119–138. https://doi.org/10.1108/CG-07-2022-0311

Ahmed, A., & Yahaya, O. A. (2024). UNLOCKING THE POWER OF CORPORATE GOVERNANCE AND ITS IMPACT ON FINANCIAL STABILITY. 9(1), 71–109.

Board Management. (2020). Sprigg HR. https://sprigghr.com/blog/board-management/the-importance-of-corporate-governance/

Claessens, S. (2006). Corporate governance and development. World Bank Research Observer, 21(1), 91–122. https://doi.org/10.1093/wbro/lkj004

Forum, G. C. G. (2005). TOOLKIT. In Developing Corporate Governance Codes of Best Practice (Vol. 1).

Guluma, T. F. (2021). The impact of corporate governance measures on firm performance : the influences of managerial overconfidence. Future Business Journal, 7(1), 1–18. https://doi.org/10.1186/s43093-021-00093-6

Khan, H. (2011). A Literature Review of Corporate Governance. International Conference on E-Business, Management and Economics, 25, 1–5.

Mallin, C. A. (2016). Corporate Governance. Oxford university press.

Naciti, V., Cesaroni, F., & Pulejo, L. (2021). Corporate governance and sustainability : a review of the existing literature. Journal of Management and Governance, 0123456789. https://doi.org/10.1007/s10997-020-09554-6

OECD principles of corporate governance. (2004). In Corporate Governance in Japan: From the Viewpoints of Management, Accounting, and the Market. https://doi.org/10.1007/978-4-431-30920-8_10