



# A STUDY ON DISCLOSURE OF VOLUNTARY ITEMS OF CORPORATE GOVERNANCE BY TOP TEN IT SECTOR COMPANIES

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**Abstract:** Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled. The primary objective of corporate governance is to ensure that a company operates in a manner that is ethical, transparent, and accountable. It provides a framework for making decisions and managing the affairs of the company in a way that maximizes shareholder value while also taking into consideration the interests of other stakeholders. This study is conducted to know the disclosure of voluntary items of corporate governance by the companies. For the purpose of study, a sample of Ten IT Sector companies are selected. Five items have been undertaken on the basis of review of literature; List of Senior Managers, Ownership Structure, Listing on Stock Exchange, Share Prices and Investors Grievance Committee. The study is conducted for the period of five years starting from 2017-18 to 2021-22. The results of the study revealed that the average disclosure by the companies during 5 years is 54.24 percent. TCS is disclosing the maximum of 66.4 percent information regarding the voluntary items of corporate governance while HCL Technologies is disclosing the minimum of 31 percent information regarding the voluntary items of corporate governance. The disclosure by each company differs from the average disclosure by 12.23 percent. Listing on Stock Exchange is the most frequent item of corporate governance disclosed by the companies while Investors Grievance Committee is the least disclosed item by the companies. The study also revealed that the disclosure by the companies is increasing in the starting years and reaches to its maximum of 66 percent in the year 2018-19 but after it starts to decrease and reaches to its minimum of 42 percent in the year 2021-22.

**Keywords:** Governance, voluntary items, disclosure, board and stakeholders

## I. INTRODUCTION

Governance refers specifically to the set of rules, controls, policies, and resolutions put in place to dictate corporate behavior. Proxy advisors and shareholders are important stakeholders who indirectly affect governance, but these are not examples of governance itself. The board of directors is pivotal in governance, and it can have major ramifications for equity valuation. A company's corporate governance is important to investors since it shows a company's direction and business integrity. Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled. Corporate governance is the collection of mechanisms, processes and relations by which corporations are controlled and operated. Governance structures and principles identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and include the rules and procedures for making decisions in corporate affairs. The primary objective of corporate governance is to ensure that a company operates in a manner that is ethical, transparent, and accountable. It provides a framework for making decisions and managing the affairs of the company in

a way that maximizes shareholder value while also taking into consideration the interests of other stakeholders. Corporate governance is necessary because of the possibility of conflicts of interests between stakeholders, primarily between shareholders and upper management or among shareholders. Governance, as defined by (Tricker, 1984), "is distinct from management" since it "involves setting the corporate direction, participating in executive action, supervising, and being held accountable." According to (Gillan and Starks, 1998), corporate governance encompasses not only management but also the systemic control, norms, and regulations of businesses. Effective corporate governance contributes to the long-term sustainability and success of a company. It helps attract investment, enhances reputation, and fosters trust among stakeholders. By aligning the interests of shareholders, management, employees, and other stakeholders, corporate governance plays a vital role in promoting responsible and accountable business practices.

## II. Review of Literature

Corporate governance issues arise in an organisation whenever two conditions are present. First, there is an agency problem, or conflict of interest, involving members of the Organisation – these might be owners, managers, workers or consumers. Second, transaction costs are such that this agency problem cannot be dealt with through a contract (Hart, 1995). Shleifer and Vishny (1997) define corporate governance by stating that it “deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment”. A similar concept is suggested by (Caramanolis, 1995), who regards corporate governance as being determined by the equity allocation among insiders (including executives, CEOs, directors or other individual, corporate or institutional investors who are affiliated with management) and outside investors.

Corporate governance deals with mechanisms by which stakeholders of a corporation exercise control over corporate insiders and management such that their interests are protected. They include as stakeholders not just shareholders, but also debt holders and even non-financial stakeholders such as employees, suppliers, customers, and other interested parties (John and Senbet, 1998). Farinha (2003) conducted the theoretical and empirical literature review to find out the true nature and consequences of corporate governance. The main focus of his literature was to find out the reasons of conflict between manager and shareholders in organizations with respect to ownership mechanism. He also tried to find out the link between the corporate governance and the value of the firm. Another study conducted by Cueto (2007) to find out the role of ownership mechanism and corporate governance practices in emerging markets of Latin America. In context of weak shareholder protections, the corporate governance mechanism affects the firm value, the liquidity of market and the organization of industries. He proposed that the relationship between the corporate governance mechanism and the firm's value and the effects of ownership structure and among the liquidity of the stock market must be explored. There is no significant performance difference between firms with good governance changes and firms with bad governance changes and thus, rejected the hypothesis that better governance leads to better financial performance (Chidambaram et al., 2006). This result is consistent with those of Core et al. (2006); who found no significant relationship between corporate governance and firm performance. Zhang (2014) explore the impact of corporate governance operational risk disclosure. The study compares the corporate governance in the fast-growing BRICS economies. Impact of change in management due to cross border mergers and acquisitions due to a change in culture of firm assumes great importance in today's globalized world. There was a strong correlation between Hofstede's cultural dimensions and the four characteristics of corporate governance – board independence, gender composition, board leadership and meeting frequency. Ultimately a country's national culture and corporate governance practices did exhibit a strong correlation. This substantiates that fact that some countries tend to have better corporate governance practices than others. An emerging market is typically associated with a country risk premium. So the investor should be compensated for the additional risk that investments in stocks of emerging markets economy entail (Humphries and Whelan, 2017).

### Objective of the Study

The study is conducted to know the disclosure of voluntary items of corporate governance by the companies.

### III. RESEARCH METHODOLOGY

For the purpose of study, a sample of Ten IT Sector companies are selected. Five items have been undertaken on the basis of review of literature.

- List of Senior Managers
- Ownership Structure
- Listing on Stock Exchange
- Share Prices
- Investors Grievance Committee

The study is conducted for the period of five years starting from 2017-18 to 2021-22. The source of data collected is secondary in nature as the data is taken from the annual reports of the selected companies. Data collected have been analysed by applying Statistical Package for Social Science (SPSS). Disclosure score represents the score given to the disclosed items and non-disclosed items. The disclosure score for the items disclosed by the companies is given as 1 and for the items which are not disclosed by the companies is given as 0.

### IV. RESULTS AND DISCUSSION

The data is analysed in the following manner:

- 4.1 Company Wise Disclosure
- 4.2 Item Wise Disclosure
- 4.3 Year Wise Disclosure
- 4.4 Descriptive Statistics

**Table 4.1: Company Wise Disclosure**

IT Companies	Disclosure
TCS	66.4
INFOSYS	56
WIPRO	52
HCL TECHNOLOGIES	31
TECH MAHINDRA	56
ORACLE	60
MINDTREE	38.2
MPHASIS	36
ROLTA	52
CYIENT	56

(Source: Microsoft Office Excel Worksheet, SPSS)

Table 4.1 shows the average disclosure by each company in 5 years. It is analysed from the table that on an average, out of 10 companies, *TCS* is disclosing the maximum information regarding Voluntary items of corporate governance i.e., 66.4 percent while *HCL Technologies* is disclosing the least information i.e., only 31 percent.

**Table 4.2: Item Wise Disclosure**

Voluntary Items	Disclosure
List of Senior Managers	54
Ownership Structure	58
Listing on Stock Exchange	68
Share Prices	52
Investors Grievance Committee	42

(Source: Microsoft Office Excel Worksheet, SPSS)

Table 4.2 shows the reporting of Voluntary items of corporate governance is spread across the 5 items. As can be seen from the table that on an average, *Listing on Stock Exchange* is the most frequent item of corporate governance disclosed by the companies while *Investors Grievance Committee* is the least disclosed item by the companies.

**Table 4.3: Year Wise Disclosure**

Year	Disclosure
2017-18	58
2018-19	66
2019-20	52
2020-21	49
2021-22	42

(Source: Microsoft Office Excel Worksheet, SPSS)

Table 4.3 shows the average disclosure by the companies in each year. It is revealed from the table that the disclosure by the companies is increasing in the starting years and reaches to its maximum of 66 percent in the year 2018-19 but after it starts to decrease and reaches to its minimum of 42 percent in the year 2021-22.

**Table 4.4: Descriptive Statistics**

N	Minimum	Maximum	Mean	Standard Deviation
50	31	66.4	54.24	12.23

(Source: Microsoft Office Excel Worksheet, SPSS)

Table 4.4 shows the result of Descriptive Statistics namely Mean, Maximum value, Minimum value and Standard deviation of 50 observation i.e., 10 IT Sector Companies and 5 years starting from 2017-18 to 2021-22. Mean represents the average disclosure by the companies during 5 years which is 54.24 percent. Maximum value represents the maximum disclosure by the companies on an average basis; TCS is disclosing the maximum of 66.4 percent information regarding the voluntary items of corporate governance. Minimum value represents the minimum disclosure by the companies on an average basis; HCL Technologies is disclosing the minimum of 31 percent information regarding the voluntary items of corporate governance. Standard Deviation represents how much the disclosure by each company differs from the average disclosure; the results revealed that disclosure by each company differs from the average disclosure by 12.23 percent.

### **Tata Consultancy Services**

In the year 2017-18, the company disclosed the information related to Investors Grievance Committee and Listing on Stock Exchange. In the year 2018-19, company disclosed the information related to List of Senior Managers, Listing on Stock Exchange and Investors Grievance Committee. In 2019-20, the information related to Ownership Structure and Investors Grievance Committee was disclosed. In 2020-21, company only disclosed the information about Listing on Stock Exchange and in 2021-22, company disclosed about Ownership Structure and Listing on Stock Exchange. Thus, it can be revealed that Listing on Stock

Exchange is the most frequent item while Share Price is the least disclosed item by the Tata Consultancy Services during the period of the study.

### **Infosys**

In the year 2017-18, the company disclosed the information related to Listing on Stock Exchange. In the year 2018-19, company disclosed the information related to List of Senior Managers and Listing on Stock Exchange. In 2019-20, the information related to Ownership Structure, Share Prices and List of Senior Managers was disclosed. In 2020-21, company only disclosed the information about List of Senior Managers and Listing on Stock Exchange and in 2021-22, company disclosed about List of Senior Managers. Thus, it can be revealed that List of Senior Managers is the most frequent item while Investors Grievance Committee is the least disclosed item by the Infosys during the period of the study.

### **Wipro**

Company disclosed the information related to Investors Grievance Committee in the year 2017-18. In the year 2018-19, the information related to List of Senior Managers, Share Prices, Listing on Stock Exchange and Investors Grievance Committee was disclosed. In 2019-20, the information related to Ownership Structure was disclosed. In 2020-21, company only disclosed the information about Listing on Stock Exchange, Ownership Structure and Share Prices and in 2021-22, company disclosed about Listing on Stock Exchange. Thus, it can be depicted that Listing on Stock Exchange is the most frequent item while List of Senior Managers is the least disclosed item by the Wipro during the period of the study.

### **HCL Technologies**

In the year 2017-18, the company disclosed the information related to Ownership Structure, List of Senior Managers and Listing on Stock Exchange. In the year 2018-19, company disclosed the information related to List of Senior Managers and Investors Grievance Committee. In 2019-20, the information related to Share Prices, Ownership Structure and List of Senior Managers was disclosed. In 2020-21, company only disclosed the information about Listing on Stock Exchange and Share Prices and in 2021-22, company disclosed about List of Senior Managers and Listing on Stock Exchange. Thus, it can be revealed that List of Senior Managers is the most frequent item while Investors Grievance Committee is the least disclosed item by the HCL Technologies during the period of the study.

### **Tech Mahindra**

Company disclosed the information related to Ownership Structure, Listing on Stock Exchange and Investors Grievance Committee in the year 2017-18. In the year 2018-19, the information related to Ownership Structure, Listing on Stock Exchange and Share Prices was disclosed. In 2019-20, the information related to Investors Grievance Committee, Ownership Structure and Share Prices was disclosed. In 2020-21, company only disclosed the information about List of Senior Managers and Share Prices and in 2021-22, company disclosed about Investors Grievance Committee and Ownership Structure. Thus, it can be depicted that Ownership Structure is the most frequent item while List of Senior Managers is the least disclosed item by the Tech Mahindra during the period of the study.

### **Oracle Financial Services**

In the year 2017-18, the company disclosed the information related to Share Prices and Listing on Stock Exchange. In the year 2018-19, company disclosed the information related to Share Prices, Ownership Structure and Listing on Stock Exchange. In 2019-20, the information related to Listing on Stock Exchange, Ownership Structure and List of Senior Managers was disclosed. In 2020-21, company only disclosed the information about Ownership Structure, List of Senior Managers and Share Prices and in 2021-22, company disclosed about Investors Grievance Committee and Listing on Stock Exchange. Thus, it can be revealed that Listing on Stock Exchange is the most frequent item while Investors Grievance Committee is the least disclosed item by the Oracle Financial Services during the period of the study.

**Mindtree**

In 2017-18, the company disclosed the information related to Ownership Structure, Investors Grievance Committee and Share Prices. In the year 2018-19, company disclosed the information related to List of Senior Managers, Ownership Structure and Investors Grievance Committee. In 2019-20, the information related to Share Prices, Ownership Structure and Listing on Stock Exchange was disclosed. In 2020-21, company only disclosed the information about List of Senior Managers and Share Prices and in 2021-22, company disclosed about List of Senior Managers, Ownership Structure and Investors Grievance Committee. Thus, it can be revealed that Ownership Structure is the most frequent item while Listing on Stock Exchange is the least disclosed item by the Mindtree during the period of the study.

**Mphasis**

Company disclosed the information related to Listing on Stock Exchange and Share Prices in the year 2017-18. In the year 2018-19, the information related to Investors Grievance Committee, Listing on Stock Exchange and Share Prices was disclosed. In 2019-20, the information related to Investors Grievance Committee and Listing on Stock Exchange was disclosed. In 2020-21, company only disclosed the information about List of Senior Managers and Ownership Structure and in 2021-22, company disclosed about Listing on Stock Exchange and List of Senior Managers. Thus, it can be depicted that Listing on Stock Exchange is the most frequent item while Ownership Structure is the least disclosed item by the Mphasis during the period of the study.

**Rolta**

In 2017-18, the company disclosed the information related to Ownership Structure, Listing on Stock Exchange and List of Senior Managers. In the year 2018-19, company disclosed the information related to List of Senior Managers, Ownership Structure and Share Prices. In 2019-20, the information related to Share Prices, Ownership Structure and List of Senior Managers was disclosed. In 2020-21, company only disclosed the information about List of Senior Managers and Ownership Structure and in 2021-22, company disclosed about Ownership Structure and Listing on Stock Exchange. Thus, it can be revealed that Ownership Structure is the most frequent item while Investors Grievance Committee is the least disclosed item by the Rolta during the period of the study.

**Cyient**

Company disclosed the information related to Listing on Stock Exchange and Ownership Structure in the year 2017-18. In the year 2018-19, the information related to Investors Grievance Committee and Listing on Stock Exchange was disclosed. In 2019-20, the information related to List of Senior Managers and Listing on Stock Exchange was disclosed. In 2020-21, company only disclosed the information about Listing on Stock Exchange, List of Senior Managers and Ownership Structure and in 2021-22, company disclosed about Ownership Structure. Thus, it can be depicted that Listing on Stock Exchange is the most frequent item while Share Prices is the least disclosed item by the Cyient during the period of the study.

**V. CONCLUSION**

After nut shelling all the point of the study it can be concluded that Governance refers specifically to the set of rules, controls, policies, and resolutions put in place to dictate corporate behavior. . Corporate governance is the collection of mechanisms, processes and relations by which corporations are controlled and operated. Governance structures and principles identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and include the rules and procedures for making decisions in corporate affairs. This study is conducted to know the disclosure of voluntary items of corporate governance by the companies. For the purpose of study, a sample of Ten IT Sector companies are selected. Five items have been undertaken on the basis of review of literature; List of Senior Managers , Ownership Structure, Listing on Stock Exchange, Share Prices and Investors Grievance Committee. The study is conducted for the period of five years starting from 2017-18 to 2021-22. The source of data collected is secondary in nature as the data is taken from the annual reports of the selected companies. Data collected have been analysed by applying Statistical Package for Social Science (SPSS). The results of the study revealed that the average disclosure by the

companies during 5 years is 54.24 percent. TCS is disclosing the maximum of 66.4 percent information regarding the voluntary items of corporate governance while HCL Technologies is disclosing the minimum of 31 percent information regarding the voluntary items of corporate governance. The disclosure by each company differs from the average disclosure by 12.23 percent. Listing on Stock Exchange is the most frequent item of corporate governance disclosed by the companies while Investors Grievance Committee is the least disclosed item by the companies. The study also revealed that the disclosure by the companies is increasing in the starting years and reaches to its maximum of 66 percent in the year 2018-19 but after it starts to decrease and reaches to its minimum of 42 percent in the year 2021-22. However, these findings may be interpreted because of the following limitations. Firstly, the sample comprised of only 10 IT sector companies but this sample cannot be taken to represent the overall practices of corporate governance of IT sector of our country. Secondly, the study is conducted for only 5 years, thus the findings are applicable in the situation which prevailed during 5 years.

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