

Project titled “**CORPORATE GOVERNANCE AND COMPANY PERFORMANCE – A CASE STUDY OF COMPANIES LISTED ON NSE**” was completed in March 2016.

SUMMARY OF THE STUDY:

*Merely formalizing Corporate Governance practices is not sufficient. Corporate Governance is essentially rather a state of mind and set of principles based on relationships.*

Corporate Governance is concerned with the ethics, values and morals of a company, its directors and with the ways of bringing the interests of investors and management in same area and to ensure that their interests are best served. Corporate Governance practices promotes in conducting the affairs of a company in a manner that ensures fairness to customers, employees, shareholders, fund providers and the society as a whole. The regulators have over the years made required recommendations and amendments in Corporate Governance to increase transparency and disclosures in companies.

In order to initiate Corporate Governance standards, CRISIL has developed a rating model- Governance and Value Creation (GVC), using broad principles of good Corporate Governance from OECD principles of Corporate Governance, NYSE Corporate Governance rules and current German and Japanese governance codes. The rating is valid for one year and is done on a scale of 1 to 8. However the Governance ratings are not mandatory for all the listed companies in India.

At international level, it is observed that there is lack of progress in mainstreaming the Corporate Governance environment and a gap between policy and practice of Corporate Governance. Institutions across the globe have lacked in detailed knowledge of the Countries.

The findings of the sample companies reflect that Corporate Governance Guidelines ensures:

- a) Documentation w.r.t size, composition and constitution of the Board and its Committees
- b) Disclosure of tenure, criteria and procedure to select and appoint the Board members
- c) Criteria and procedure for reappointment of Directors
- d) Resignation, retirement and succession of Directors
- e) Policies for fixing Directors remuneration
- f) Duties and Responsibilities of the Directors
- g) Internal Policies and Codes applicable to the Directors
- h) Expectations from the individual Directors
- i) Performance evaluation System of the Directors
- j) Written Charter and duties of Audit committee
- k) Responsibilities and scope of Internal Audit
- l) Details of Related party contracts
- m) Key Result Areas of the Key Management
- n) Policies for fixing remuneration of Key Management
- o) Overview of statutory obligations of Directors
- p) Time Schedule for completion of various statutory obligations
- q) Detailed Guidelines for Directors and General Body Meetings w.r.t schedule of the Meetings, attendance requirements at the Meetings, preparation and circulation of Notices and Agendas, preparation and signing of Minutes and payment of sitting fees for attending Meetings.
- r) Disclosure of details of Directors orientation involving induction and training session on a periodical basis.

- It must be noted that the Companies that provide governance in terms of practices and results can expect the backing not only of investors but of customers as well. Improving the country's law-making structure is necessary to engage in a win-win interaction with the global community.

- It has been observed that company performance parameters have positive correlation with Corporate Governance. Company increases its Corporate Governance practices an impact is observed in its operational efficiency and financial performance. This study can be used by the startup companies to arrive at effectiveness in its business operations and utilize its capital. As the Corporate Governance parameters increase, the company's financial performance and thereby value of the company.

To summarize, Corporate Governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, Board, managers, shareholders and other stakeholders. This structure spells out the rules and procedures for making decisions on corporate affairs. It provides the structure through which company objectives are set, and also provides the means of attaining those objectives and monitoring performance. Key aspects of good corporate Governance are summarized as transparency of corporate structures and operations, accountability of managers and the boards to shareholders and corporate responsibility towards stakeholders and investors. The performance indicators Return on Capital employed and Earnings per share have a positive relationship with Corporate Governance points. Corporate Governance practices followed increases the operational efficiency and financial performance and overall value of the company.