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CORPORATE GOVERNANCE PRACTICES AND ITS INFLUENCE ON THE PERFORMANCE OF SERVICE SECTOR: Post Demonetization Assessment

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Abstract: Information Technology will have a greater effect on companies that operate in a competitive environment. That will contribute to greater human resource productivity and effectiveness. The use of IT software for information management and developments in the recruiting method would therefore improve the business efficiency. Innovation in the management of human resources can, however, manifest itself in a variety of ways. In a negotiation, it helps to rapidly and flexibly find options, identifies innovative ideas for goods and services and identifies new markets. Innovations such as these are combined by information technology to create a beneficial impact in HR. To meet the demand, there is a increasing pressure on HRM to endorse strategic priorities and concentrate on value-adding activities, which ultimately leads to changes in work content and demands on professionals in Human Resource (HR). In addition, the researchers expect the growing use of Human Resource Information Technology (HRIT) to enhance the efficiency of HR practitioners and to include them in the company's internal consulting activities Information and Communication Technology (ICT) may have the following significant impacts in human resource management.

Keywords: HRM, Information Technology.

I. INTRODUCTION

During 1998, Corporate Governance caught the researchers' attention with the Confederation of Indian Industry publishing the desirable voluntary code. SEBI made headway in the field of corporate governance by formulating the first ever structured regulatory structure on corporate governance for listed companies under Clause 49 of the Listing Agreements in February 2000. Such regulations were formulated on the basis of

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recommendations from the Report of the Kumar Mangalam Birla Committee, 1999. On October 2004, these regulations were amended based on the recommendations of the Narayana Murthy Committee Report, 2003. The Ministry of Corporate Affairs recently proposed guidelines for the voluntary implementation of corporate governanceon December 2009. The new amended Corporate Social Responsibility Act of 2013 has guidelines to be adhered to by companies.

Corporate Governance includes monitoring and business processes, creating partnerships between a company's shareholders and its management, board and other stakeholders, as well as the targets the company is marching towards.

Although empirical evidence does not substantiate the relationship between good corporate governance and value creation for an entity, there is clear evidence in the past to suggest that bad corporate governance is undermining good values. The Satyam Controversy in India during 2008-09 and instances in the corporate world such as Enron, WorldCom, etc. clearly illustrated this. Poor corporate governance is therefore a red flag that must be closely monitored by all corporate stakeholders as well as the regulatory bodies of government.

The Cadbury Report describes Corporate Governance as the "system that guides and governs businesses" (Cadbury, 1992). Corporate governance refers to commonly agreed norms, practices, rules, habits and regulations which define the way the business is run. Or put it in a specific context, corporate governance requires all attempts or maximize the benefit of a company's shareholders without undermining the rights of other business stakeholders such as government, staff, vendors, consumers, rivals, investors, and society.Business governance takes on importance in the corporate environment because there is a discrepancy between a company's shareholders and executives, and this needs a reasonable degree of openness in the management of corporate affairs in order to ensure confidence and buoyancy for all stakeholders. Enterprise managers will serve as good stewards for the company's properties.

While corporate governance has been a common term in the developed countries, globalization and liberalization has made the subject quickly gaining popularity in India and other late developing countries. Opening up the Indian economy has offered the domestic firms many opportunities and challenges. We have to face intense competition from both domestic and foreign companies and corporate governance has become a crucial factor for them to achieve competitive advantage and thereby ensure their survival.

II. RELATED WORK

Neelam Bharadwaj and Batani Rahavendra Rao (2014) found that most of the companies studied merely comply with mandatory requirements and disclose information needed by revised clause 49 while few companies, such as Bajaj Auto, Infosys, Dr. Reddy, etc., disclose information beyond the mandatory thresholds specified by clause 49.

Jatinder Kaur (2014) found that numerous committees established under the corporate governance system play a vital role in improving banking companies' efficiency and competitiveness, and serve as a direct route to achieving market excellence.

Abayay Raja and Hitesh shah (2014) found that both variables of duality and block holders' participation have a major effect on financial performance while all other variables of corporate governance have a marginal effect on financial performance.

Jia Hua Tsai *et al.* (2013) found out that intellectual capital is substantially related to the characteristics of stock returns and skilled management of companies. Intensity of resource and growth, advertisement intensity and human resource capital intensity are closely linked to Tobin.

Priyanka Aggarwal (2013) has proven that ranking for corporate governance has a positive effect on firms' financial performance. The study revealed that good governance facilitates better financial efficiency, and that business ratings along with employee-related and environmental dimensions also greatly influence financial performance of the organization.

Pallavi Kapooria *et al.* (2013) found that the inclusion of Compensation for Directors in a company's annual report has a substantial effect on the success of IT and manufacturing firms. Such a disclosing of remuneration in stills confidence in shareholders' minds, thereby improving the company's reputation and overall results. Accordingly, the study concludes that transparency plays a paramount role in enhancing the reputation of the company and hence its success among the various recommended corporate governance norms.

Amarjit Gill *et al.* (2012) noted the positive relationship between small business investment decisions and their CEO tenure, duality of the CEO, board size, total assets and firm performance. In the case of small firms belonging to the service sector, the in vestment decision of the companies is positively related to their duality as CEO, total assets and firm output while in the case of companies belonging to the manufacturing industry, investment decision is positively linked to board size and firm results.

Zhe Zhang *et al.* (2011) have identified a negative relationship between CEO duality and customer satisfaction while a different leadership structure increases customer satisfaction.

Ajay Kumar Garg (2007) found signs of smaller boards performing better than the larger ones. The analysis also revealed that the ideal size of the board is six while the size of the board and the performance of the firm are in inverse relation. The study also revealed that independent directors failed to effectively execute their oversight function and boost the firm's efficiency.

IV. RESEARCH SKETCH

To achieve the goals of this paper and find out the relationship between corporate governance and firm results will be used both qualitative and quantitative research methods. The main aim of this paper is to find out the relationship between corporate governance and corporate performance and to find out the degree of impact of corporate governance on corporate performance in order to find out this proof that researcher needs to undergo exploratory work. To order to find out the exact situation, some case studies will also be reviewed and addressed and this will make this work more realist. This paper will attempt to establish a governance metric (governance score) to assess the level of corporate governance exercised, and will also define other criteria to metric the company's success and score them with a related range.

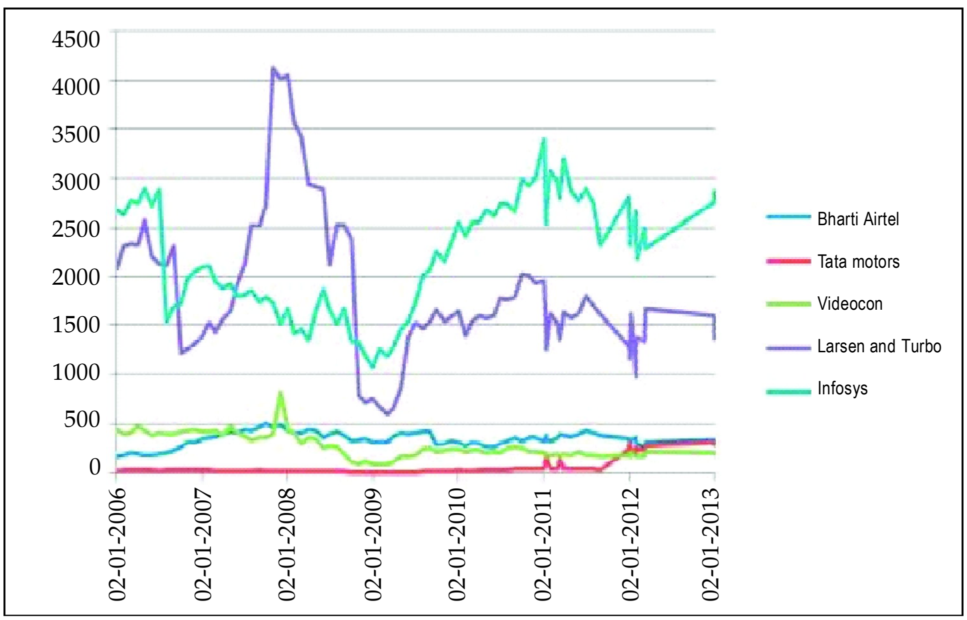

Figure 1: Share prices of few Indian companies

		Bharati	*Infosys*	*L & T*	*Tata Motors*	*Videocon*
Area of Business		Telecom Services	Software	Manufacturing and Engineering	Automobile	Electronic Applineces
Exchanges Listed		India	India/US	India	India/US	India
Board Structure	Executive Directors	2	6	8	2	2
	Non-Executive Directors	8	Nil	9	4	Nil
	Independent Directors	8	9	Nil	6	8
Different Committees	Audit Committee	Yes (31)	Yes (41)	Yes (3NE)	Yes (31)	Yes (31)
	Remuncration Committee	Yes (2NE & 41)	Yes (41)	No	Yes (2 NE & 21)	Yes (31)
	Investor Grievance	Yes (1E & 3NE)	Yes (31)	Yes (2E & 1NE)	Yes (1E, 1NE & 11)	Yes (31)
	Nomination Committee	No	Yes (31)	Yes (1E & 3NE)	Yes (1E, 1NE & 21)	No

Figure 2: Corporate Governance Report of Indian Companies

Governance score will be a cumulative measure of approximately 50 factors encompassing many areas of corporate governance such as audit committee, board of directors, executive and manager compensation, manager compensation policy, industry, sustainable practices, manager education, charter / by-laws, etc. Then a cross-sectional comparison between the governance score and the company efficiency score will be performed by researcher.

Data collection

This paper will produce a summary metric of the governance score for assessing the quality of the governance of the company. Researcher will collect data related to corporate governance and firm results from the annual report and mostly researcher will rely on secondary sources to prepare this report; while researcher will attempt to collect data from credible sources such as stock exchange, annual report, journal, etc. This paper will take as my sample for these studies a large number of individual companies, hence it will represent real phenomena. This paper will take data from the 2009 fiscal year end for calculating firm results.

V. FINDINGS AND SUGGESTION

The study showed that the size of the board, the remuneration of directors and the composition of the board's independent directors did not influence the financial performance of companies listed on the Bombay Stock Exchange. Nonetheless, Board ownership and duality's two corporate governance factors have considerable effect on financial results. Promoter presence at the board has had a huge positive effect on financial results.It can also be noted that the participation of promoters in the Board is the only variable in corporate governance that can dramatically boost a firm's financial efficiency. Ironically, the study shows that if a company's positions as Chairman and Managing Director are held by a single person, the company's financial results would be adversely affected. Therefore, it is clear that companies will delegate chairman and managing director roles to two separate persons and have maximum promoters in their board to boost their financial performance.

VI. CONCLUSION

Emphasis on corporate governance may or may not have a telling effect on a company's financial performance. But, if a company has two separate people as its chairman and managing director, there may be an upsurge in their results. Similarly, the presence of in-board sponsors may also boost firms' financial efficiency. Promoters have a stronger interest in the company's growth and success, as they view the company as their own child. Therefore, more promoters at the board would certainly boost a company's results.Corporate governance plays a crucial role in balancing the economic and social goals and the individual and community priorities. The governance structure is very critical for improving the firm's efficiency and protecting stockholders' interests. Since it guarantees resource quality, it makes the management accountable, and provides the maximum value for all parties. As a result, corporate governance has an effect on the company's overall performance as it affects most of the performance indicators and corporate governance good practices would allow the company to protect stockholders' interests.

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