

Corporate Governance Under Company Act 2013 And Business Ethics

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Abstract- The Companies Act, 2013 was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs has also notified (31 March 2014) Companies Rules, 2014 on Management and Administration, Appointment and Qualification of Directors, Meetings of Board and its powers and Accounts. The Companies Act, 2013 together with the Companies Rules provide a robust framework for Corporate Governance. The requirements inter-alia provide for:

- *Qualifications for Independent Directors along with the duties and guidelines for professional conduct {Section 149(6) read with rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014}.*
- *Mandatory appointment of at least one-Woman Director on the Board. Section 49 (1) of the Companies Act, 2013, read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules 2014, provides that every listed Company and every other Public Company having paid-up share capital of 100 crore or more; or turnover of ₹300 crore or more shall appoint at least one-woman director in its Board.*
- *Mandatory establishment of Audit Committee {Section 177(1)}, Nomination and Remuneration Committee {178(1)} and Stakeholders Relation Committee {Section 178(5)}.*
- *Holding of a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board {Section 173(1)}.*

I. INTRODUCTION

Corporate governance is the system of rules, practices, and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, which can include shareholders, senior management, customers, suppliers, lenders, the government, and the community. As such, corporate governance encompasses practically every sphere of management, from action plans and internal controls

to performance measurement and corporate disclosure.

Contemporary corporate governance started in 1992 with the Cadbury report in the UK.

Cadbury was the result of several high-profile company collapses.

Sir George Adrian Cadbury was a Director of the Bank of England from “1970–1994” and of IBM from “1975-1994”. He was Chairman of the UK Committee on the Financial Aspects of Corporate Governance which published its Report and Code of Best Practice ("Cadbury Report and Code") in December 1992.

corporate governance helps to, better access to external finance and Improved company performance, Reduced risk of corporate crisis and scandals.

II. BENEFITS OF CORPORATE GOVERNANCE

- Good corporate governance creates transparent rules and controls, guides leadership, and aligns the interests of shareholders, directors, management, and employees.
- It helps build trust with investors, the community, and public officials.
- Corporate governance can give investors and stakeholders a clear idea of a company's direction and business integrity.
- It promotes long-term financial viability, opportunity, and returns.
- It can facilitate the raising of capital.
- Good corporate governance can translate to rising share prices.
- It can reduce the potential for financial loss, waste, risks, and corruption.

- It is a game plan for resilience and long-term success.

III. SIGNIFICANCE

A corporation is a congregation of various stakeholders, namely customers, employees, investors, vendor partners, government and society. In this changed scenario an Indian corporation, as also a corporation elsewhere, should be fair and transparent to its stakeholders in all its transactions. This has become imperative in today's globalized business world where corporations need to access global pools of capital, need to attract and retain the best human capital from various parts of the world, need to partner with vendors on mega collaborations and need to live in harmony with the community. Unless a corporation embraces and demonstrates ethical conduct, it will not be able to succeed. Corporations need to recognize that their growth requires the cooperation of all the stakeholders; and such cooperation is enhanced by the corporations adhering to the best Corporate Governance practices

IV. OBJECTIVES

1. To know the evolution of corporate governance.
2. The Present paper is basically concerned with the Issues and Challenges for Corporate Governance in India.
3. The paper also analyses regulatory deficiencies in corporate governance.
4. To provide suggestions bases on study.

V. RESEARCH METHODOLOGY

Looking into requirements of the objectives of the study the research design employed for the study is of descriptive type. Available secondary data was broadly used for the study. The investigator procured the required data through secondary survey method. Different news articles, Books and Web were used which were enumerated and recorded.

Definition of Corporate Governance varies widely. The concept of "governance" is not new. It is as old as human civilization. Simply put "governance" means: the process of decision-making and the process by which decisions are implemented (or not implemented). Governance can be used in

several contexts such as corporate governance, international governance, national governance and local governance. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

VI. CONCLUSIONS AND SUGGESTIONS.

As a summary of the most important findings, we can conclude the following. When discussing the relationship between corporate success, CG and ethical issues, most respondents believe that a successful business should be concerned with ethical issues, compared to a few who do not worry about BE if the corporation overall performance is good. At the same time, the majority finds that business decisions should be based on economic realism and not on moral philosophy. The business world has its own rules, and the only concern is to earn profit without worrying about the ethical aspect, these ideas are mainly due to the lack of understanding of the term and the meaning of BE. Many leaders exercise moral leadership but implicitly based on some ethical rules and values derived mainly from the Islamic religious teachings, individual ethics, and the morals of Algerian society. Ethical codes are still strange practice the Algerian corporations and its concept is still confused with the concept of rules of procedure.

The same is true for organizational ethical structures. If we take for example ethical training, corporations do not do it. But when we explained its meaning and objectives to executive managers, it was highly appreciated because considered as covering huge moral problems that the manager faces during his daily tasks practicing and decision making. As for whistleblowing policy, it seems that there is a big reservation on this dimension and its meaning; the majority of respondents agreed that corporations do not have clear procedures and methods that can be followed to report violations or any unethical behavior or abuse. Respondents agreed that the whistleblower is not legally protected, they pointed out that this mechanism cannot be used in Algerian

corporations as long as the judiciary system is not independent, and as many laws are deficient and have many loopholes.

Therefore, we conclude that legal compliance mechanisms have proved insufficient and they lack the power of BE in all its dimensions to restore or build confidence in corporations. It is also noticeable that the complex interaction between different considerations (historical development, cultural and social factors, the legal system, corporate governance model, political system, economic development etc.)

provides a different context for CG and BE in Algeria, which imposes the idea that Algeria has its governance model that suits its corporations.

Algerian corporations are quite different; most of the private corporations are family-owned with weak financial and technological capital. Public corporations are still suffering the disparity between serious consequences of taking entrepreneurial risks and the low return that the general executive can benefit (low salary, no exceptional Business ethics Corporate governance Corporate values Ethical structure Ethical leadership Protection of Stakeholders rights Disclosure and Transparency The Audit function Whistleblowing Ethical Training Code of Ethics Ethical Behavior Availability Ethical Behavior Practice Ethical Behavior Promotion Corporate Governance and Organizational Behavior Review / Volume 4, Issue 1, 2020 24 remuneration, etc.) which is at the heart of the difficulty of initiating new mechanisms in management or control

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