Chapter 6
Corporate Governance

Introduction

Weak corporate governance has been singled out as the leading cause for recent high profile cases of corporate fraud (Skaife et al. 2006). There is a growing demand for corporates to be more transparent and accountable in their dealings with their stakeholders and the community at large. In recent times, in particular after the liberalisation of the Indian economy in 1991, a large number of Indian companies have been raising capital overseas by getting listed on international stock exchanges. This is in tune with the efforts of Indian government to attract more foreign direct investment (FDI) into India. Given the fact that this trend of Indian companies to have more access to global capital markets (to raise financial resources) is likely to continue (in fact, may augment) in future, there is a growing realization that Indian companies would need to make their operations and financial results more transparent, that is, improve their standards of corporate governance (IndiaKnowledge@Wharton 2007).

The Securities and Exchange Board of India (SEBI), which regulates India's stock markets, had initially mandated the adherence of clause 49 of corporate governance (for all listed companies) from 1 April 2004. However, after wide public outcry against the provision (in its original form), SEBI had constituted a committee on corporate governance under the chairmanship of Mr. N.R. Narayana Murthy. Based on the recommendations of the committee and public comments received, certain amendments were made in Clause 49 of the Listing Agreement (http://www.sebi.gov.in/commreport/clause49.html). Clause 49 is basically a regulation that calls for an increase in the number of independent directors serving on the Boards of large Indian companies to ensure more transparency and better accountability. The modified clause 49 came into effect from 1 January 2006, and all listed companies were mandated to adhere to it with effect from 1 April 2006 (http://www.sebi.org/).

It is thus expected that all the sample companies would be following the corporate governance rules and regulations rigorously, indicating a high degree of professionalism, financial transparency and discipline in their management ethos. This may

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also be naturally expected as the sample companies are amongst the largest companies in the country and are accountable to a vast number of stakeholders.

This aspect, thus, necessitates inquiry. This modest attempt (perhaps the first of its kind) aims at ascertaining the status of adherence to corporate governance regulations (based on primary data) amongst the sample companies.

For better exposition, this chapter has been divided into nine sections. Section I lays down the scope, data and methodology of the chapter. Section II contains a brief literature review concerning aspects of corporate governance. Section III presents the overall aspects of the corporate governance policy amongst the sample companies. Section IV looks at the management incentives provided. Requirements of financial reporting have been delineated in section V. Section VI is devoted to the separation/composition of the board of directors. Aspects relating to internal controls under corporate governance constitute the subject matter of section VII. Fulfillment of requirements under Clause 49 constitutes the subject matter of section VIII. Concluding observations are listed in section IX.

Section I Scope, Data and Methodology

Scope

Based on market capitalisation, the top 200 companies listed on the Bombay Stock Exchange constitute the BSE 200 index. Out of these 200 companies, 34 companies were engaged in the financial sector as on 1 April 2010, the sample selection date. Therefore, the scope of this study is limited to the 166 nonfinancial BSE 200 companies. The sample is representative in nature as the BSE 200 companies represent all industry groups. (Kindly refer to Appendix 1.1 for the complete list of BSE 200 companies and Appendix 1.2 for the 34 financial companies that have been excluded from the sample for the study). This apart, the selected sample comprised 84.32% of the total market capitalisation on the Bombay Stock Exchange, as on 1 April 2010. Clearly, the sample is representative of corporate sector enterprises in India.

Data and Methodology

The primary data on which the analysis is based consists of opinions/preferences of finance managers of the sample companies related to corporate governance. The research instrument for primary data consisted of a questionnaire (Appendix 1.3). Questions designed were simple and specific, relating to various aspects of corporate governance. Opinion-based and subjective information was kept to minimum in order to keep the study more objective and scientific. The questionnaire along with

covering letter was sent by courier to the CFO/Finance Manager/Director Finance of each of the 166 companies. At the same time, an attachment file of the copy of the questionnaire was also emailed along with the covering letter so that, in case the respondent had a problem in the physical delivery of the questionnaire, he/she could download the questionnaire from the file attached. Subsequently, the questionnaire was re-mailed to the non-responding companies for follow-up in order to maximise the response rate. It was indicated to the CFOs that the individual responses would be kept strictly confidential and only aggregate generalisations would be published.

The initial response was very poor; only eight companies responded. Subsequently two reminders, both through post and email were sent to the remaining companies. Personal contacts were also established with the companies located in and around Delhi1.[1] This increased response level to 31. Thus, this part of the analysis is based on 31 responses received out of 166 (response rate being 18.67%).

Prima facie, the response rate may be seen as low. It should be borne in mind, however, that the number of respondents and the response rate are similar to previous studies using a similar method (Jain and Kumar 1997; Jain and Yadav 2000, 2005). Further, it is becoming difficult to encourage GPs (general practitioners) to participate in surveys (Templeton et al. 1997). Also, considering that the survey was addressed to time-constrained CFOs, this may be considered reasonably an adequate response.

Section II Literature Review

The literature review undertaken in this section highlights various philosophies behind corporate governance and lists evaluations of corporate governance practices across the world.

Corporate Governance: Different Aspects and Evaluations

Okpara (2011) revealed a number of constraints that hinder the implementation and promotion of corporate governance in Nigeria. These constraints included weak or non-existent law enforcement mechanisms, abuse of shareholders' rights, lack of commitment on the part of Board of Directors, lack of adherence to the regulatory framework, weak enforcement and monitoring systems and lack of transparency and disclosure. Mishra and Ratti (2011) examined corporate governance and foreign equity home bias in Chinese companies. They suggested that some institutions were effective monitors of firms they invested in. Foreign institutions were able to exert pressure because they had fewer business relations with the firm to jeopardise, unlike domestic institutions.

[1]Assistance was also sought from the Delhi Stock Exchange and Securities and Exchange Board of India, as a part of the primary data collection exercise.

Cheung et al. (2011) provided evidence in support of the notion that good corporate governance can predict future market valuation. Klai (2011) revealed that the governance mechanisms affected the financial information quality of the Tunisian companies. Particularly, the power of the foreigners, the families and the block-holders reduced the reporting quality, while the control by the State and the financial institutions was associated with a good quality of financial disclosure. Kocmanova et al. (2011) focused on the corporate governance and on economic, environmental and social issues relating to measurement of corporate performance. Neglecting such performance aspects by corporate management in the corporate sustainability reporting could lead to further and deeper problems.

Pergola and Joseph (2011) provided insight regarding the motivations and behaviour of Board Members and the impact of stock ownership on their actions. Monks (2011) found that a self-governing corporate structure was optimal if it could be made to work. The history of the last 30 years of supposed corporate 'self-restraint', coupled with the economic debacle of the last 2 years, offered compelling evidence that current efforts at corporate governance were not working. Mukweyi and Wiley (2010) made recommendations that may guide leaders in improving their corporate governance for the stakeholders.

Spitzeck (2009) developed insight into the structures which companies set up to deal with the corporate responsibility agenda. Li and Harrison (2008) showed that national culture had a dominant influence on corporate governance structure and its emphasis is recommended in future cross-national organisational research.

Garg (2007) studied whether the Board size and independence mattered in terms of influencing firm's performance. They found an inverse association between Board size and firm performance. Tuteja (2006) examined the Board size, composition and the professional experience as well as wisdom of its members that played a role of paramount importance in the sound management of a company. Gillan (2006) developed a corporate governance framework and provided a broad overview of recent corporate governance research.

Skaife et al. (2006) documented that firms' governance affects firms' credit ratings. Morck et al. (2005) stated that economic growth seemed related to the distribution of control over an economy's large corporate sector. Outside of the United States and United Kingdom, most large corporations had controlling owners, typically very wealthy families. Boubakri et al. (2005) found higher improvements in efficiency for firms in countries where stock markets were more developed and where property rights were better protected and enforced. Hermalin (2005) determined whether the replacement of a CEO was a costly option.

O'Sullivan (2000) argued that considerable change has indeed occurred recently in corporate governance systems. These changes cannot be understood, however, as the outcome of a market-driven, efficiency-enhancing process.

Corporate Governance in India

Sanan and Yadav (2011) evaluated the impact of corporate governance reforms initiated by Securities and Exchange Board of India (SEBI). The results of the study indicated that though corporate governance disclosures had improved in the post-reform period, yet the overall disclosures of the Indian companies were only moderate.

Godbole (2002) stated that Indian corporates needed to regard the issue of governance not as an irritant or impediment, but as an essential tool and mechanism for their very survival in the new economic environment.

Reed (2002) stated that India, like many developing countries, had been moving towards the adoption of an Anglo-American model of corporate governance in recent years. The impetus for this shift had been a combination of global political economy pressures and problems arising out of the previous business house model of governance.

Section III Corporate Governance Policy

In the effort to understand whether corporate governance was dealt with at the level of policymaking and adopted by companies, the managers were asked to respond to the questions relating to the institution of a corporate governance policy at the organisational level and its constituents.

From Table 6.1, it is evident that 89.65% of the respondent companies do have a corporate governance policy at the organisational level. On the other hand, it is pertinent to note that corporate governance regulations became mandatory for Indian listed companies from 1 April 2006, as per the SEBI guidelines. Keeping the same in mind, it is a matter of concern that 10.34% companies still do not have a corporate governance policy.

In terms of focus, bulk of the corporate governance policy addresses issues related to shareholders, management and the Board (88.46%). Regulatory authorities, the community at large and employees are next in order of priority (Table 6.2).

Of the companies that do adhere to corporate governance guidelines, more than 90% have an internal team primarily dedicated to corporate governance in the companies (Table 6.3). This is perhaps an indication of the professionalism and seriousness with which the sample companies are treating corporate governance regulations and their practice.

Table 6.1 Companies having corporate governance policy amongst the respondents

Options	Percentage
Yes	89.65
No	10.34

Table 6.2 Focus areas of the corporate governance policy for the respondent companies

Area of focus	Percentage
Shareholders	88.46
Management	88.46
Board of Directors	88.46
Regulatory authorities	69.23
Community at large	65.38
Employees	61.53
Customers	50.00
Creditors	46.15
Suppliers	42.30
Any other	7.69

Table 6.3 Presence of an internal team dedicated to corporate governance in the respondent companies

Options	Percentage
Yes	92.85
No	7.14

Table 6.4 Components of the internal corporate governance policy (if present) for the respondent companies

Components	Percentage
Monitoring by Board of Directors	100.00 (46.15)
Remuneration	50.00 (–)
Balance of power	34.61 (–)

Figures in brackets represent the opinion chosen exclusively. The same holds true for all tables

For better management and subsequent review and evaluation, a company needs to divide the overall corporate governance policy into two parts – one governing the internal policies and the other governing the company's interactions with the external stakeholders. It was desirable to understand the important components of both the internal and external corporate governance policies to be able to establish the focus areas.

According to Table 6.4, for the internal corporate governance policy, monitoring by the Board of Directors of the corporate governance regulations and their subsequent adherence is practised by all respondent companies. Remuneration forms the second important component followed by the balance of power.

For the external corporate governance policy, the primary focus behind the design and practice are the government regulations (85%) followed by the demand for and assessment of performance information, in particular, financial statements at 60% (Table 6.5).

Indian credit rating agencies like CRISIL (Credit Rating and Information Services of India Limited) and ICRA (Investment Information and Credit Rating Agency of India) have corporate governance ratings which assess corporate governance practices at a company with respect to their impact on all stakeholders (http://www.crisil.com/ratings/crisil-gvc-ratings.html).

Table 6.5 Components of the external corporate governance policy for the respondent companies

Components	Percentage
Government regulations	85.00 (30.00)
Demand for and assessment of performance information (especially financial statements)	60.00 (10.00)
Debt covenants	30.00 (–)
Competition	20.00 (–)
Media pressure	20.00
Managerial labour market	5.00
Takeovers	0.00

Table 6.6 Assessment of corporate governance practices by rating agency like CRISIL or ICRA for the respondent companies

Options	Percentage
Yes	11.53
No	88.46

CRISIL allots the GVC (governance and value creation) ratings while ICRA has the CGR (corporate governance ratings) (http://www.icra.in/rating.aspx).

On enquiring whether the sample companies get their corporate governance policies assessed/whetted by a rating agency like CRISIL or ICRA, only 11.53% companies responded in the affirmative (Table 6.6). The companies that did go in for the assessment of corporate governance practices were asked to disclose the rating they so secured. None of the companies responded.

This nonresponse reinforces the discouraging view that corporate India seems to be shying away from corporate governance ratings (http://www.financialexpress.com/news/few-takers-for-corporate-governance-ratings/103765/).

Section IV Management Incentives

This section briefly explores whether the sample companies incentivise the senior management for working towards increasing the corporate valuation.

As per Table 6.7, 78.27% of respondent companies have no incentive plans to motivate senior management to work towards a higher share price.

The CEO/MD of the respondent companies apparently holds less than 10% of the equity (Table 6.8).

An important aspect to note here is the presence of the dominant shareholder in corporate India in the form of three large categories: the public sector units (PSUs) where the government is the dominant (in fact, majority) shareholder, the multinational companies (MNCs) where the foreign parent is the dominant shareholder and the Indian business groups where the promoters, together with their friends and

Table 6.7 Incentives offered to senior management to work towards a higher share price in the respondent companies

Options	Percentage
Yes	21.42
No	78.57

Table 6.8 Percentage of equity holding of CEO/MD in the respondent companies

Percentage of equity holding (%)	Percentage
Below 10	90.90
10–25	0.00
25–50	9.09
Above 50	0.00

relatives, are the dominant shareholders (Varma 1997). The sample companies belong to one of these three categories. This, perhaps, could be the contributing factor towards the above findings.

Section V Financial Reporting

This section explores the extent to which various reporting regulations, as laid down in Clause 49 of Listing Agreement, are met by the sample companies.

On the financial reporting front, respondent companies have encouraging statistics where a large majority (90.32%) always publishes their annual report within stipulated time, that is, within 6 months of the end of the financial year and the remaining 9.67% submit the same (mostly) within the stipulated period. Similarly, in terms of the publishing of quarterly reports within the stipulated time of within 1 month from the end of the quarter, virtually all (96.42%) companies always do so. However, the statistics seem discouraging in the publishing of the semi-annual reports, with 10.71% of respondent companies never publishing the semi-annual reports within the stipulated time (Table 6.9).

As indicated in Table 6.10, 96.77% of respondent companies always disclose material-sensitive information to stakeholders. This is, perhaps, an indication of the growing professionalism in the sphere of material-sensitive disclosures and subsequent transparency in the dealings of the companies.

In accordance with clause 49, there should be a separate section on corporate governance in the annual report of a company with a detailed compliance report. Noncompliance of any mandatory requirement of this clause with reasons thereof should also be clearly stated (http://www.nseindia.com/getting_listed/content/clause_49.pdf). Evidently, all respondent companies adhere to this reporting regulation (Table 6.11).

Table 6.9 Publication schedule of annual, semi-annual and quarterly financial reports for the respondent companies

Objectives	Always	Mostly	Occasionally	Sometimes	Never
The company publishes its annual report within stipulated time (6 months) of the end of the financial year	90.32	9.67	0.00	0.00	0.00
The company publishes/announces semi-annual reports within 1 month of the end of the half-year	85.71	3.57	0.00	0.00	10.71
The company publishes/announces quarterly reports within 1 month of the end of the quarter	96.42	3.57	0.00	0.00	0.00

Table 6.10 Consistent disclosure of sensitive information to stakeholders by the respondent companies

Options	Percentage
Always	96.77
Sometimes	3.22
Never	0.00

Table 6.11 Inclusion of a separate section on corporate governance in the annual report in the respondent companies

Options	Percentage
Yes	100.00
No	0.00

Section VI Composition of Board

While understanding the corporate governance practice in a company, it is important to look at the composition of the Board as well as the important executive/management committees. Also, it is necessary to confirm whether separation exists amongst committees which may have conflicting interests to ensure that complete partiality is maintained in the practice and evaluation of corporate governance measures.

Majority of the sample companies (67.85%) have clear separation of Board and members of the executive/management committee (Table 6.12). However, the chairman-cum-managing director (in case of such a designation) would be a member of the Board in all cases.

As was expected, there is clear separation between statutory auditors and the top management of the company (Table 6.13). This is imperative to ensure that there

Table 6.12 Separation of Board Members and members of the executive/management committee in the respondent companies

Options	Percentage
Yes	67.85
No	32.14

Table 6.13 Separation between statutory auditors and the top management of the company in the respondent companies

Options	Percentage
Yes	100.00
No	0.00

Table 6.14 Inclusion of direct representatives of banks, financial/strategic investors and large creditors in the Board of the company in the respondent companies

Options	Percentage
Yes	29.03
No	70.96

Table 6.15 Appointment of an executive chairman in the company amongst respondents

Options	Percentage
Yes	41.37
No	58.62

is complete impartiality in the auditing of the financial information of the company by the auditors.

Initially, the Indian financial system allowed the provision/practice of having nominee directors from the lending financial institutions in the Board; clause 49 mandates that there shall be no nominee directors anymore (Khan 2011). If an institution wishes to appoint a director on the Board, such appointment would be made only by the shareholders.

From Table 6.14, it can be observed that currently 70.96% of respondent companies do not have any inclusion/direct representation from financial institutions like banks, strategic investors and large creditors in the Board. This could, perhaps, be an indication of more liberal and equity-oriented management practices without the interference of the other suppliers of corporate finance, namely, creditors.

Majority of the companies (58.62%) do not have an executive chairman in the company (Table 6.15). According to clause 49, in case where a non-executive chairman is the promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the company shall consist of independent directors (http://www.nseindia.com/getting_listed/content/clause_49.pdf).

Table 6.16 Presence of more than 50% independent directors on the Board in the respondent companies

Options	Percentage
Yes	75.00
No	25.00

Table 6.17 Presence of more than 33% independent directors on the Board in the respondent companies

Options	Percentage
Yes	86.36
No	13.63

Independent Directors and Composition of Board

As per clause 49, an independent director is one who, apart from receiving director's remuneration, does not have any material pecuniary relationships or transaction with the company, its promoters, its senior management or its holding company, its subsidiaries and associated companies, which, in the judgment of the Board, may affect independent judgment of the director (http://www.sebi.gov.in/commreport/clause49.html).

The Board of the company should have an optimum combination of executive and non-executive directors with not less than 50% of the Board comprising of non-executive directors. Where the chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors; in case the chairman is an executive director, at least half of the Board should comprise of independent directors (http://www.nseindia.com/getting_listed/content/clause_49.pdf).

From Table 6.16, it is evident that three-fourths of the respondent companies have more than 50% independent directors on the Board, suggesting perhaps that these companies have an executive director as the chairman of the Board.

Section VII Internal Controls Under Corporate Governance

As a non-mandatory requirement of clause 49, all companies are required to establish a mechanism called the whistle-blower policy for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. The mechanism must provide for adequate safeguards against victimisation of employees who avail of the mechanism and must also provide where senior management is involved direct access to the chairman of the audit committee. The existence of the mechanism must be appropriately communicated within the organisation, and the audit committee must periodically

Table 6.18 Presence of a whistle-blower policy in the respondent companies

Options	Percentage
Yes	73.33
No	26.67

Table 6.19 Presence of an investors' grievance cell in the respondent companies

Options	Percentage
Yes	100.00
No	0.00

Table 6.20 Listing of companies on any exchange abroad

Options	Percentage
Yes	48.38
No	51.61

Table 6.21 Compliance requirement with Sarbanes–Oxley Act (SOX) for the respondent companies

Options	Percentage
Yes	13.79
No	86.20

review the existence and functioning of the mechanism (http://www.sebi.gov.in/commreport/clause49.html).

As per Table 6.18, nearly three-fourths (73.33%) of respondent companies have such a mechanism in place.

On a more encouraging note, all the respondent companies have an investors' grievance cell in the company to take up any investor grievance to its appropriate conclusion (Table 6.19).

Nearly half of the respondent companies (48.38%) are listed on an exchange abroad, an indication of the international face of the sample companies (Table 6.20). This also confirms the finding on risk management that Indian companies have increased operations abroad (Chap. 7). This would require such companies to comply with the corporate governance regulations of that particular country as well in addition to the Indian regulations.

Sarbanes–Oxley Act (SOX) of the United States of America is considered, in essence, to be the predecessor of clause 49 (KPMG 2012). Hence, it was desirable to know whether the sample companies are required to comply with SOX in case they are listed on an American stock exchange. Only 13.79% of respondent companies responded in the affirmative (Table 6.21). This is perhaps because the respondent companies are either not listed abroad at all or at least not in USA.

Table 6.22 Establishment and maintenance of internal controls and implementation of remediation and risk mitigation towards deficiencies in internal controls by the CEO and CFO in the respondent companies

Options	Percentage
Yes	100.00
No	0.00

Table 6.23 Certificate obtained from auditors/practising company secretaries regarding compliance of conditions as stipulated in clause 49 and annexing the same to the director's report by the respondent companies

Options	Percentage
Yes	96.77
No	3.22

As per clause 49, the chief executive officer (CEO) and the chief financial officer (CFO) should certify that they have reviewed financial statements and that, to the best of their knowledge and belief, these statements do not contain any materially untrue statement, omit any material fact or contain statements that might be misleading. They should also certify that there have been no transactions entered into by the company which are fraudulent, illegal or violative of the company's code of conduct or ethics policy (http://www.sebi.gov.in/commreport/clause49.html).

As per Table 6.22, all companies have established and maintained internal controls and have also implemented remediation and risk mitigation measures towards deficiencies in internal controls by the CEO and CFO.

Section VIII Fulfilment of Requirements Under Clause 49

As per clause 49, a company should obtain a certificate from either the auditors or practising company secretaries regarding compliance of regulations under corporate governance and annex the certificate with the directors' report, which is sent annually to all the shareholders of the company. Nearly all (96.77%) respondent companies have been obtaining the certificate (Table 6.23).

Further, the same certificate is also required to be filed at the stock exchanges where the company is listed along with the annual report (http://www.nseindia.com/getting_listed/content/clause_49.pdf). All companies are fulfilling this requirement (Table 6.24).

Despite it being mandatory under clause 49, one-fourth of respondent companies still do not have the mandatory/dedicated committee on corporate governance (Table 6.25).

Table 6.24 Submission of quarterly compliance report on corporate governance to the Stock exchange where it is listed in the prescribed form by the respondent companies

Options	Percentage
Yes	100.00
No	0.00

Table 6.25 Presence of the mandatory committee on corporate governance in the respondent companies

Options	Percentage
Yes	74.07
No	25.92

Table 6.26 Presence of the mandatory audit committee as per clause 49 in the respondent companies

Options	Percentage
Yes	100.00
No	0.00

Table 6.27 Presence of the remunerations committee as per clause 49 in the respondent companies

Options	Percentage
Yes	90.32
No	9.67

As per clause 49, a qualified and independent audit committee should be set up in the company with minimum three directors as members. Two-thirds of the members of audit committee are required to be independent directors and all members should be financially literate (http://www.nseindia.com/getting_listed/content/clause_49.pdf). All respondent companies do have the mandatory audit committee as per clause 49 (Table 6.26). It is an indication that respondent companies are perhaps serious about meeting the audit requirements.

Similarly, companies are required to have a remunerations committee responsible for detailing the remuneration of senior management and directors, as per clause 49. Ninety percent of the respondent companies have such a committee (Table 6.27).

Disclosure of contingent liabilities was already required in the past under Schedule VI to the Companies Act, 1956. However, during the revision of clause 49, it was decided that it was impractical for auditors to comment on management's views on contingent liabilities and any such view/comment may be construed as an admission

Table 6.28 Disclosure of contingent liabilities in the respondent companies

Options	Percentage
Yes	88.88
No	11.11

of the liability, which may be detrimental to the interests of the shareholders. It was, therefore, suggested that this clause be deleted in its entirety. However, it is interesting to note that such a disclosure is still adhered to by 88.88% companies (Table 6.28).

Section IX Conclusion

All in all, it appears that the sample companies do adhere to certain aspects of corporate governance but not in its entirety. This is an area of concern as the sample companies are amongst the largest companies in the country and, as such, are responsible to a large number of stakeholders. In that respect, they have a larger image to protect. These findings are similar to the findings of the recent study of Sanan and Yadav (2011) and Pande and Kaushik (2012).

At the time of writing this monograph, 6 years have passed since the date when clause 49 became mandatory. Companies have had adequate time to set up corporate governance structures and practices. The possible reasons for the continuing lacuna on certain aspects could be the finite supply of independent directors in the country and also the process of cultural change (Li and Harrison 2008; Pande and Kaushik 2012).

However, it is important that the Indian corporates need to regard the issue of governance not as an irritant or impediment but as an essential mechanism for their very survival in the new economic environment. This aspect draws support from the similar findings of Godbole (2002).

Also, good corporate governance is reported to indicate better valuations for the companies (Skaife et al. 2006; Cheung et al. 2011; Klai 2011; Kocmanova et al. 2011; Gurbuz et al. 2010). The sample companies, thus, would do well to be more serious and professional about adopting and practising good corporate governance.

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