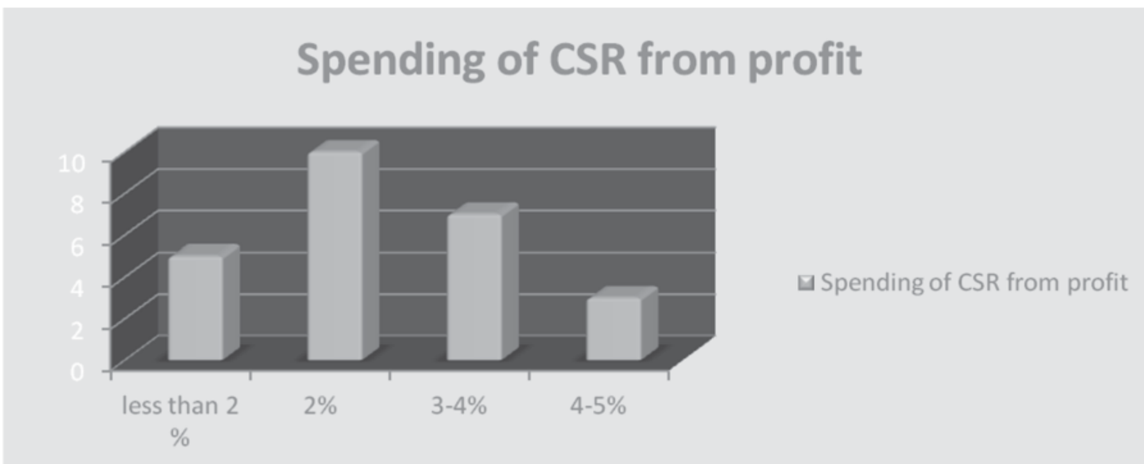
Birla Century, Cheminova, Sanofi Aventis, ABC Ltd., GACL, Akansha, Gujarat Borosil, LupinPharma and DSCL. These samples were decided through convenience sampling method. Both primary as well as secondary source of data was used to collect information. Structured Questionnaire was designed using likert scale and was used as a research instrument and interview method was applied for eliciting response from HR professionals working in these companies.

ANALYSIS AND FINDINGS

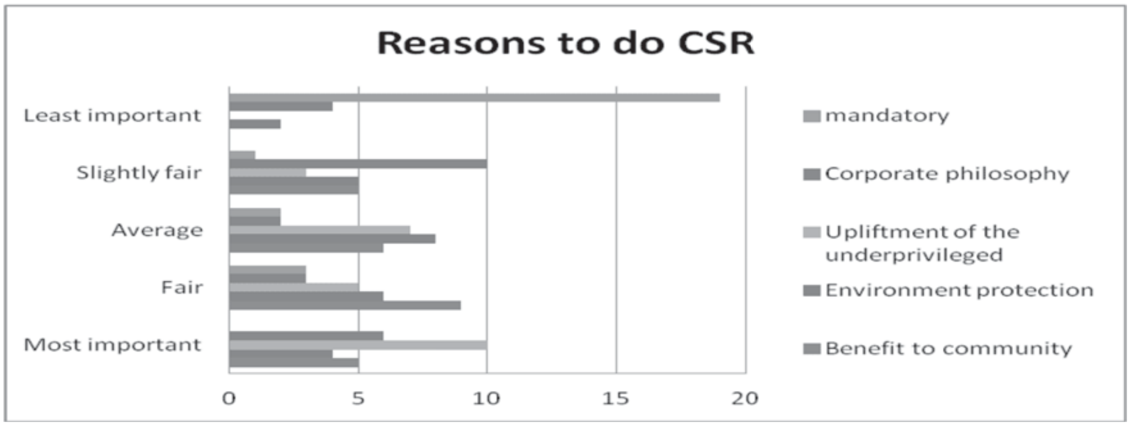
1) Based on our study we present the following chart that depicts percentage of profit that companies spend for carrying out CSR activities.



Graph 1: Spending on CSR from profit.

It shows that 10 companies, out of 25 companies taken as samples o perating in Bharuch district spends 2% of their net profit for conducting their CSR which shows that these companies are following the mandatory requirements specified in the current legislation regarding CSR, while 7 companies out of the samples spends 3-4% of their profit, 3 companies spends 4-5% which is good to note that these companies are spending beyond the norms specified in the legislations but at the same time there are 5 companies who are spending less than 2% of their net profits which is against the legal requirements specified in section 135 of Companies act, 2013.

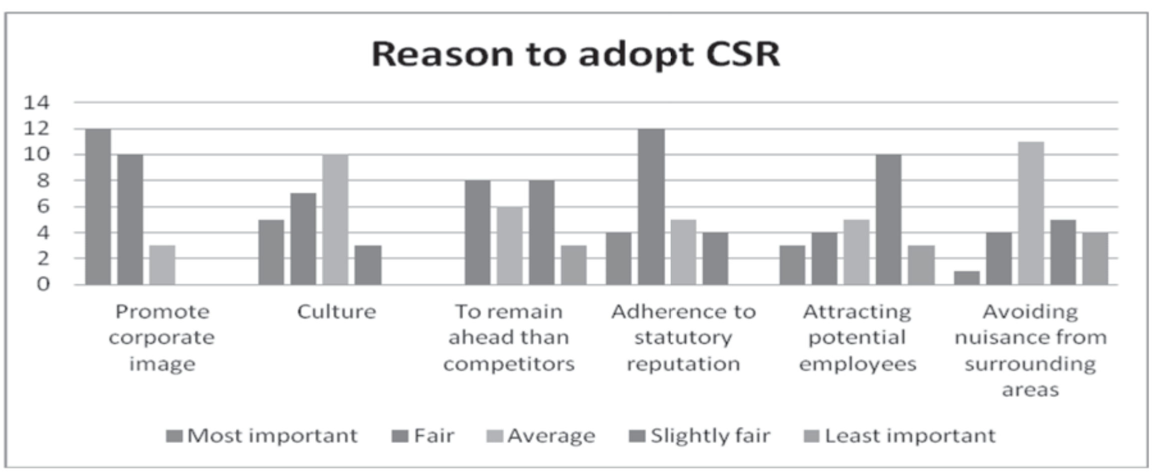
2) We tried to explore the Reasons that what makes companies to do good CSR activities in this region



Graph 2: Reason to do CSR.

We found from the study that Most Important Reason to do CSR activities was Upliftment of underprivileged followed by Benefit to the community. Environmental protection and corporate philosophy was given equal weightage by the companies and Mandatory was considered as least important reason for conducting their CSR activities.

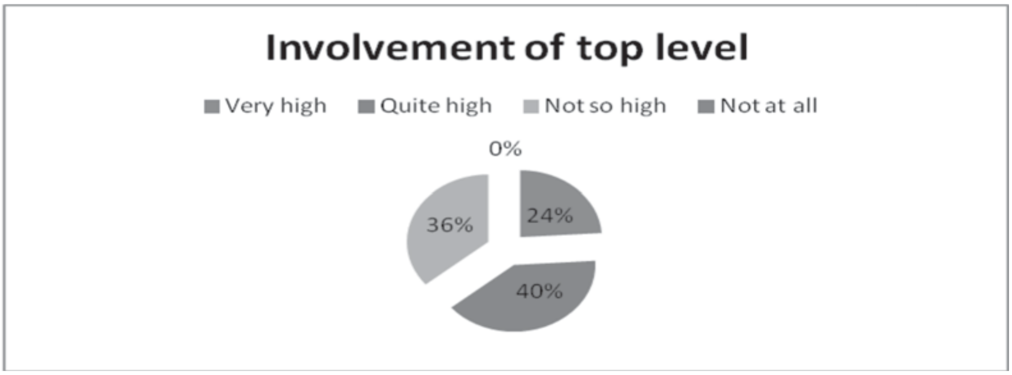
3) As a part of the study we investigated the Reasons that motivates them to do such CSR activities in this region:



Graph 3: Motive to adopt CSR practices

According to weighted average method, we found that Promoting Corporate image is one of the most important reasons that motivate companies to do CSR which supports the academic literature also that CSR activities done by most of the organization is largely self serving rather than being useful to the society. Culture was the next important reason followed by adherence to statutory reputation. To remain ahead of competition and attracting potential employees was considered slightly fair reason while avoiding nuisance from the surroundings was considered as least important reason to adopt CSR.

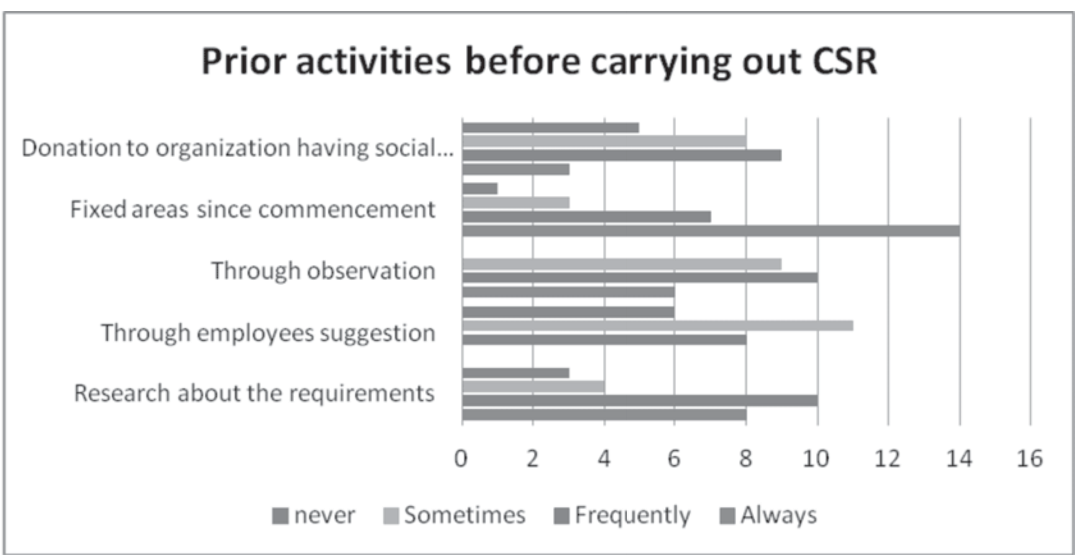
4) Top management's and CEO's support is crucial in driving CSR communication and implementing the company's CSR programs. In this context we tried to know Top Management's involvement in CSR activity which is depicted in this chart.



Graph 4: Involvement of Top Management

We found that 40% as well as 24% from the selected sample responded positively regarding their Top Management's involvement in CSR activities but it is important to note at the same time that some company's i.e. 36% out of the selected samples responded that Top Management's involvement in CSR activities is not so high.

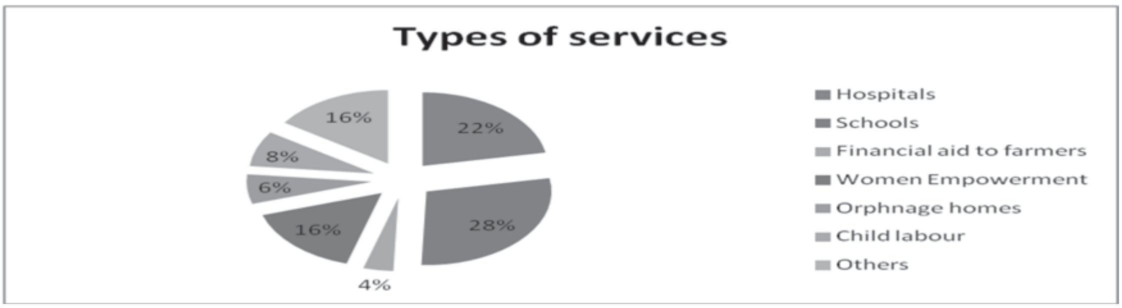
5) It is very important before implementing CSR activities that company proactively search out the needy organizations / community before actually implementing CSR in the society. In this direction we explored the prior activities that company engages in before carrying out their CSR.



Graph 5: Prior activities to be carried out before CSR

Our study reveals that Majority of organizations carry out same CSR activities with which they have started, (fixed areas since commencement from chart) which interprets that they have not changed according to the community need. It seems that they carry out such practices just carry out for sake of carrying it out with no social mission in mind. Some companies **frequently** conduct research as well as collect data through observation method regarding requirements in the society. It is also found that employees suggestion are sometimes taken by the company before the conduct of CSR programme which shows that companies are less participative in approach while taking decision for CSR activities. Very few companies donate to the organizations having social requirement.

6) Next part of our study shows the types / domain of services covered under the umbrella of CSR activities and in what form it is reached to the beneficiaries.



Graph 6: Types of services covered under CSR

It is good to note that majority of the companies CSR services focuses on schools as 28% of the companies opined in same manner. Different kind of help provided to schools includes Stationery materials like school bags, books, pencils etc, scholarships to the students, distributing gifts to aadivasi students, facility of computers, donating money to required schools, providing bicycles, building up of schools with secondary & higher education with CBSE board, vocational centers and school for deaf and dumb students etc. Maximumamount spent for schools was Rs.7 lakhs annually and good initiativeswere taken up by many companies for developing the future of students especially in village areas.

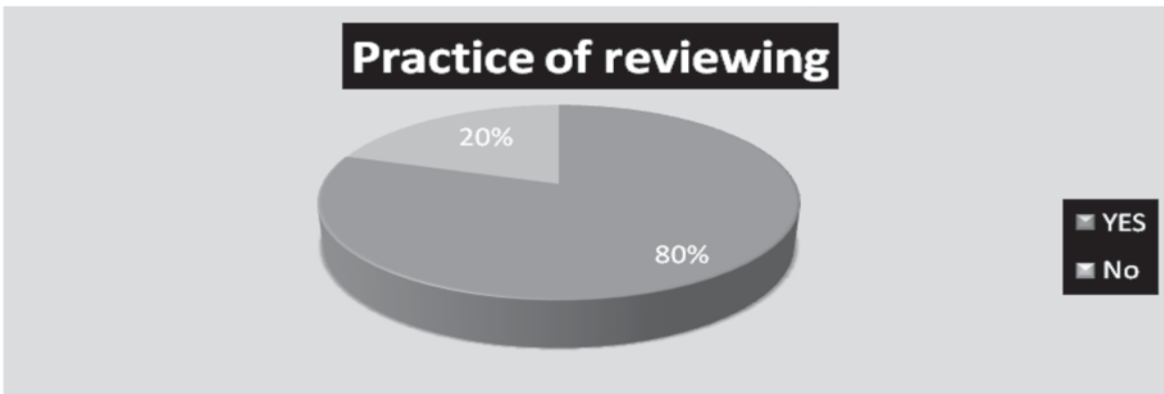
22% of companies reached to the hospitals and they helped hospitals in various ways like providing equipments to hospitals, medical facilities to nearby villages, financial help to hospitals, various awareness camps, special care for health of students in rural areas, infrastructure development and building own hospitals. This interprets that companies are doing really a good help promote health sector.

16% of companies work for women empowerment. Activities conducted for women empowerment covered projects for adolescent girls, hiring of various textile industries, various activities conducted like embroidery, beauty parlor classes, free education for girls, training for self employment. Development is not found so much growing in this sector, only few companies conduct activities for women empowerment

Only few companies (8%) were found doing activities for abolition of child labor. 6% of companies do activities for orphanage homes which include special care for children, donation of clothes to these children on various occasions. 4% of the companies provide financial aid to the farmers. This shows that more work is required in these less worked areas.

Besides this other activities that were captured during the study not covered in questionnaire were donation or supply of needed material during natural calamities, activities for environment protection, plantation, providing aid to sports department, blood donation, awareness of safety at nearby villages, drainage facilities, Ro plant in villages, parks for society for refreshment, employment for disabled etc…

7) For success of any CSR, proper feedback mechanisms and reviewing practices should be adopted by the CSR team to check whether such benefits are reaching to the actual beneficiaries or not. Thus in this direction we tried to find out whether companies are taking pains to see that their CSR expenditure are benefitting to the society in real sense.



Graph 6: Practice of Reviewing CSR

We found that 80% of company have very good practice of reviewing and taking the feedback whether their spend profit is properly utilized or not, the methods adopted to review are personal observation, keeping CSR committee, undertaking CSR audit, by keeping representative for CSR, in some companies even top level management go and have personal visit to the places of beneficiaries While 20% of companies do not follow the practice of reviewing, it interprets that they do not take proper care of CSR results and just take it granted.

8) We are aware of the fact that sometimes Company comes across various obstacles / problems during their CSR initiatives because all the time it is not possible to have red roses on the bed. Thinking in this perspective we tried to search out various problems that company may come across during their CSR initiative

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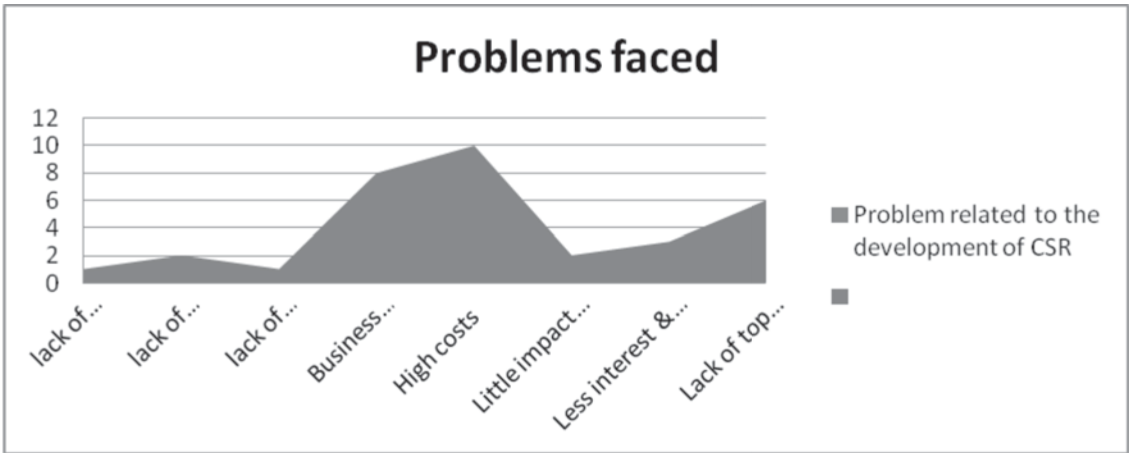

Graph 8: Problems faced in taking CSR initiatives

From the study we found that Major problem faced by the company to take CSR initiatives was High costs, followed by Business benefits were not immediate according to many companies. Third major problem was found to be was less involvement or lack of interest by top level management, which interprets that as top level mgmt themselves are not keen to take interest than how will other employees can get inspiration to carry out such social work. Very few of them found lack of knowledge, lack of corporate skill, little impact on social & environmental aspects & less interest as problems coming in the way of taking initiatives for CSR by the corporate.

9) As CSR activities is considered to be one of the strategic as well as sustainable move for the corporate, so we tried to explore from the respondents about their future plan regarding CSR portfolio which was ranked in the order of importance and shown below.Our Study reveals that following are the activities in the order of their importance which companies wants to realize in coming years i.e. their future plan regarding CSR activities

- Reduction of green house gas or emission or waste
- Improve environmental impact of products/services
- Communicate company performance in CSR & sustainability to stakeholders
- Develop new products/services which help to reduce social or environmental problems and Contribute to the upliftment of the community as a whole
- Enhance opportunities with focus on "Education for all"
- Contribute to the vocational development of the rural youth & enhance their employability
- Help to eradicate/cure serious diseases
- Enable higher agricultural produce
- Contribute to the infrastructure development for community cause

10) During the study we also tried to find whether the companies have received anyCSR awards which can help us to get an idea about qualitative functioning of CSR work done by the companies

Graph 9: CSR Awards achieved by the companies

We found that 56% of companies have received CSR awards, some at global level and some at national level. Example of such awards are best social responsibility awards, joy of giving award, Swarnshakti award etc… while 44% of companies yet have not received any award for CSR activitieswhich suggest that these companies have still great miles to go as far as CSR work is concerned.

Overall Message given by the companies in common was that CSR makes the compliance easy in very dynamic & ever changingbusiness environment**,** Apart from nation building it is a very key part of all the business key areas and it is to be seen that when we support these small local groups we take big steps for the same. Further they added that Money must be utilized in such a way that it adds value to the user as well as to the company. As community does lot for company so it is companies duty & responsibility to give it back to community in a noble way**.** As a corporate citizen it is our prime responsibility to ensure the compliance of corporate social responsibility. All corporate should contribute at least 2% of the annual profit towards CSR.

CONCLUSION

- Even without the new CSR bill passed in the companies act regarding CSR, companies are found to be spending adequate amount towards CSR activities.
- Upliftment of underprivileged, protection of the environment, community benefit is the orders of their importance respectively are found to be the most important reasons to carry out CSR. Irrespective of the corporate philosophy, companies are found to spend adequately on CSR.
- Most CSR is done to promote the corporate image and hence involvement of all employees across the functions and hierarchy is found missing.
- The above conclusion is reinforced by the fact that in 64% of the case the Top Management involvement in CSR was found to be high.

- The very fact that all employees are not sensitized to CSR activities, the companies have failed to understand the changing needs of the community and continued to do non important CSR activities for years together.
- While schools and hospitals have been at the center of CSR activities, these activities are merely physical in nature and have not really contributed to the improvement of quality of education and health. Even in the case of help extended to the orphanage homes, it is more physical in nature in the form of gifts instead of education and self reliance. Women empowerment seems to be grossly misunderstood and most CSR funds under this head are spent on seminars or at the most donating sewing machines.
- Till so far the cost towards CSR have bothered companies. Fortunately the essence of CSR is being better understood these days as focus seems to be shifting on reducing on social and environmental problems and improving the quality of agricultural output as well as enhancing the employability of the youth.

RECOMMENDATIONS

- If CSR is in focus of the company's vision and mission, the likelihood that better CSR will occur is very strong
- The very purpose of CSR is to bring parity amongst various members of the society. Company should not mix this up with the selfish motive of building their own corporate image.
- Companies are presently talking about increasing employee engagement. Instead of doing CSR for building corporate image, if company focuses on creating companywide culture that sensitize every individual towards social cause, employee engagement shall reach better heights.
- Aspects like womenempowerment , child labor, financial wellbeing of the farmers, giving better life to the orphans are indeed areas that need our attention. However, our interventions should be so designed that each of these groups learns to stand on their own through a reasonable livelihood and education.
- While there is system of taking feedback on CSR activities conducted, they are more on efficiency terms for documentation purpose and least on the effectiveness terms. Understanding the real need of the community which can vary from place to place is important.

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CORPORATE GOVERNANCE AND DISCLOSURE PRACTICES OF FIRMS AND NATURE OF INDUSTRY: AN EMPIRICAL STUDY FROM INDIAN PERSPECTIVES

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ABSTRACT

Corporate governance focuses on a company's structure and processes to ensure fair, responsible, transparent and accountable corporate behaviour. The main objective of this study is to study impact of industry characteristics on corporate governance and disclosure practices of firms**.** In this research, stratified sampling method was used. The sample for the study was collected from the firms listed in BSE in the form of S&P BSE sector indices. The sample firms represent different sectors viz.: Auto, Metal, Oil & Gas, Consumer Durables, Capital Goods, FMCG, Health Care, IT, and Power. In each of these sectors, top 6 firms as per market capitalization are selected for sample. Out of sample size of 54 firms, the sample consists of 9 public sector firms (16.67%), 13 multinational ownership (24%) and others with dominant Indian ownership (59.25%). For the purpose of study, data of the sample firms collected from the annual reports of the same for the year 2011-12.

Corporate governance stands for responsible business management geared towards long term value creation. Good corporate governance is a key driver of sustainable corporate growth and long-term competitive advantage. Each industry or sector has its own set of market characteristics, thereby differentiating one sector from another. Main emphasis of this research is to study the impact of the nature of sector or industry on corporate governance and disclosure practices of firms. Hence, this study identifies and test the empirical evidence for such relationship for firms listed in Indian stock market.

Key Words: Corpo rate Governance, Mandatory Disclosure, Voluntary Disclosure, Financial Reporting. Industry Characteristics.

INTRODUCTION

Corporate governance stands for responsible business management geared towards long-term value creation. Good corporate governance is a key driver of sustainable corporate growth and long-term competitive advantage (Madhani, 2007). Good governance means little expropriation of corporate resources, which contributes to better allocation of resources and better performance. Investors and lenders will be more willing to put their money in firms with good governance. Other stakeholders, including employees and suppliers, will also want to be associated with such firms, as the relationships are likely to be more prosperous, fairer, and longer lasting than those with firms with less effective governance (Shah, Butt and Hasan, 2009).

The investors, particularly foreign institutional investors (FIIs), are concerned with governance structure while investing funds (McKinsey & Co., 2002). As disclosure improves efficiency of capital allocation and also reduces the cost of capital, almost all countries devote substantial efforts, time and resources in framing and regulating disclosure rules and governance structure that publicly listed firms must follow. The Organization for Economic Co-operation and Development (OECD) report on Corporate Governance and National Development (OECD, 2001) as well as, the Asian Development Bank (ADB) study on Corporate Governance and Finance in East Asia (ADB, 2001) emphasize efforts by many developing countries in improving corporate governance and disclosure structures.

LITERATURE REVIEW

The majority of the research studying the linkage between the level of disclosure and firm characteristics were applied to developed countries – the UK (Firth, 1979); the USA (Buzby, 1975; Lang and Lundholm, 1993); Canada (Belkaoui and Kahl, 1978); Sweden (Cooke, 1989a); Switzerland (Raffournier, 1995); Japan (Cooke, 1992); and Hong Kong (Wallace and Naser, 1995). A smaller group of studies have examined developing countries, such as Egypt (Mahmood, 1999); Jordan (Naser *et al*., 2002); Nigeria (Wallace, 1987); and Bangladesh (Ahmed and Nicholls, 1994).

Also, some prior research studies have adopted a comparative approach to assess the extent of disclosure across two or more countries, for example, Barrett (1977), Zarzeski (1996), and Camfferman and Cooke (2002). Various researchers defined the quality of disclosure (dependent variable) differently. For instance, Buzby (1974) applied the term of adequacy; Barrett (1977) and Wallace *et al*., (1994) used the term of comprehensiveness; and Patton and Zelenka (1997) used the term of extent. Furthermore, the number and type of firm characteristics (independent variable) vary among various studies. Accordingly, Alsaeed (2006), classified these variables into three categories:

(1) Structure-related variables, such as firm size and leverage;

(2) Performance-related variables, such as liquidity and profit margin; and

(3) Market-related variables, such as industry type and audit firm size.

Cooke (1989b) pointed out that leading firms operating in a particular industry could produce a bandwagon effect on the level of disclosure adopted by other firms working in the same industry. Cooke (1991) finds some evidence of an industry effect on firms in Japan and Sweden.Cooke (1989a) suggested that historical factors in the Swedish economy may have been important consideration in the development in financial reporting in different sectors. He found that when Swedish firms were classified into manufacturing, trading, services or conglomerate industry types, aggregate disclosure and voluntary disclosure was lower in those firms classified as 'trading'.

Hence, it is suggested that disclosure level is more likely to differ among different industries, reflecting their unique characteristics.Cooke (1992) empirically examined such relationship and found that Japanese manufacturing firms tend to provide more information than other non-manufacturing firms. Mahmood (1999) surveyed the depth of disclosure in daily published Egyptian newspapers, and found that the industry type has an impact on the level of information presented. Similarly, Camfferman and Cooke (2002) found almost identical results with relation to manufacturing firms in the UK and the Netherlands. In opposition to these findings, Wallace *et al.,* (1994) observed that the industrial classification of a firm has no bearing on the level of disclosure level.

Association between the level of disclosure and industry types provides mixed evidence. According to Cooke(1989b), manufacturing firms disclose more information than other types of firms. Similarly, in Indian context, software, IT, Media and telecommunication industry disclose more information than other industry (Mahajan and Chander, 2008). But the findings of Giner (1997), Owusu-Ansah(1998), and Despina *et. al.,* (2011), provide no evidence of this association. Similarly, the results of prior research studies by Stanga (1976), Belkaoui and Kahl (1978), McNally *et al.*, (1982), Wallace (1987), and Wallace *et al.*, (1994) are mixed on impact of disclosure on nature of sector or industry

Sector type as a determinant of corporate disclosure has been investigated in prior studies. However, empirical findings on this relationship are mixed. Ahmed and Courtis (1999) survey prior literature and find a significant relationship between disclosure and sector type in some countries such as the US, Canada, and Sweden (Belkaoui and Kahl, 1978; Cooke, 1989a). Stanga (1976) also found industry type to be a significant explanatory variable with positive relationship between industry type and the extent of corporate disclosure. On the other hand, an insignificant relationship between the two variables is found by a number of academic studies such as McNally *et al.,* (1982) in New Zealand, and Wallace *et al.,* (1994) in Spain. Owusu -Ansah (1998), found no significant relationship between industry type and extent of corporate disclosure.

PURPOSE OF STUDY

In Indian context, research on industry characteristics and disclosure practiceshas not been fully explored. Hence, impact of the nature of sector or industry on corporate governance and disclosure practices is studied in this research and accordingly it identifies and test the empirical evidence for such relationship for firms listed in Indian stock market.

The purpose of this research is twofold. The first is to report on the extent of corporate governance and disclosure practices by a set of non-financial Indian listed firms, and the second is to empirically investigate whether independent variable such as nature of industry affect the extent of disclosure. Hence, this paper will contribute to the growing literature on the determinants of corporate disclosure level. Prior research reveals that fewer studies seek to identify specific characteristics determining the variation across firms (Ruth, Garcia-Meca and Martinez, 2011). Hence, this study aims to contribute to the understanding of this issue by analysing the specific firmcharacteristics such as nature of the firm or type of sector in which firm belongs, and its impact on disclosure policies. It is hoped that this study will enhance the understanding of the underlying factors that could affect corporate governance and disclosure practices in Indian firms.

RESEARCH DESIGN AND METHODOLOGY

Objective of the Study

1. To study overall corporate governance and disclosure practices in sample firms selected from various sectors.

2. To know that to what extent firms from different sectors disclosed their financial activities to their existing and prospective investors and regulators at large through their annual reports.
3. To know how nature of the industry influences corporate governance and disclosure practices of firms.

Scope of the Study

This study will help us to understand that whether nature of industry is associated with corporate governance and disclosure practices of firms in Indian context.

Sources of Data

To carry out the research study, analysis was limited to one year because disclosure policies usually tend to remain constant over time (Botosan, 1997). The annual reports of year 2011-12 were chosen because they are relatively more recent and easier to obtain. Hence, for the purpose of study, data of the sample firms collected from the annual reports of the same for the year 2011-12. Annual reports are important documents for assessing and analyzing the company performance in regard to corporate governance standards and compliance. Annual reports of firms were collected from various sources. The annual reports of 54 firms for the period ending March 2012 or December 2012 (based on thefirm s' financial year) have been downloaded from the CMIE Prowess database (4.14 version) as well as from the company websites.

Sampling Technique Applied

Stratified sampling was used for obtaining data of firms listed in Bombay Stock Exchange (BSE) and is constituent of S&P BSE sectoral indices.

Sampling and Data Collection

The sample for the study was collected from the firms listed in BSE in the form of S&P BSE sector indices. Sectoral indices at BSE aim to represent minimum of 90% of the free-float market capitalization for sectoral firmsfrom the universe of S&P BSE 500 index. This sector index consists of the firms classified in that particular sector of the BSE 500 index. From these sectors, banking sector(Bankex) was eliminated as the disclosure requirements for these firms are specialized and regulated by other regulatory authorities such as ICAI, and RBI in addition to Clause 49. Likewise, realty sector was also not considered because of specific issues of governance. Hence, remaining all nine sectors from S&P BSE sectoral indices were studied for this research. In each of these sectors, top 6 firms as per market capitalization are selected for sample. Out of sample size of 54 firms, the sample consists of 9 public sector firms (16.67%), 13 multinational ownership (24%) and others with dominant Indian ownership (59.25%).

The sample firms represent different sectorsviz. : Auto (11.1%) , Metal (11.1%), Oil & Gas (11.1%), Consumer Durables(11.1%), Capital Goods(11.1%), FMCG(11.1%), Health Care(11.1%), IT (11.1%), and Power (11.1%). These 54 firms selected from9 different sectors represent 91% of overall sectoral index weight. Hence, these samples of 54 firms truly represent selected 9 sectors.

The Research Instrument: Measurement of Corporate Governance Disclosure Score

A review of the existing literature is undertaken to enhance the understanding and identifying the factors that influence corporate governance disclosure decisions such as firm characteristics, and the firm specific incentives for corporate governance disclosures. It also explores the methodology used for measuring corporate governance and disclosure of firms.

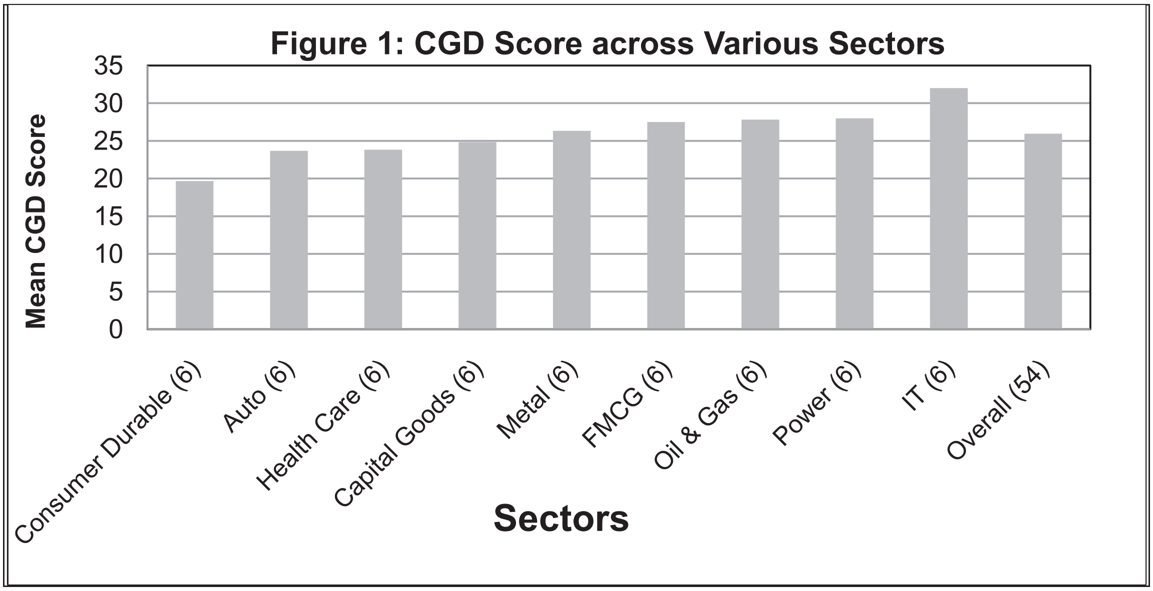
Prior research studies on disclosure have been broadly classified as those on disclosure indices, event studies and specific disclosure analysis. Researchers have used various methods of computing disclosure score for determining the level of disclosures. The disclosure index provides a reasonable method for measuring the overall disclosure quality of a firm. Prior research in this area has made extensive use of such index methodology as a research tool (Marston and Shrives, 1991). Index method involves the development of an extensive list of disclosure items, which are expected to be relevant to the users of information. The methodology adopted for computing the disclosurescore can be of two types; use of the published disclosure index used in relevant prior research or to have a self-constructed disclosure index for the specific research. In this study, corporate governance and disclosure practices of firms are measured by using index developed by Subramaniana and Reddy (2012).

According to Clause 49 of listing agreement of stock exchange, firms have to mandatory disclose, corporate governance practices as per the guidelines stipulated in Clause 49. It is now binding for the Indian listed firms to file with SEBI the corporate governance compliance report along with the financial statements. Hence, there was need to develop a methodology for measuring voluntary corporate governance disclosure practices as mandatory disclosure is already taken care of by Clause 49 of listing agreement. Subramaniana and Reddy (2012) also focused also on the quality of practices and not just the disclosure of certain practices by firms. On the basis of the S&P instrument, the instrument also classifies corporate governance-related disclosures under two categorieso wnership s tructure and investor r elations (*ownership*), and board and management structure and process (*board*).

The final instrument had 67 items: 19 questions in the *ownership* disclosure category and 48 in the *board* disclosure category.Disclosures to the market participan ts can be made by firms through annual reports, quarterly reports and continuous disclosures to the stock exchanges. In this study, only the annual report information is used for calculating corporate governance and disclosures (CGD) score of firms. The annual reports of the selected 54 firms were carefully examined for the financial year 2011-12. Hence, to arrive at the overall disclosure score,annual reports of each firm under study were scrutinized for the presence of specific items under the above mentioned categories. One point is awarded when information on an item is disclosed and zero otherwise. All items in the instrument were given equal weight, and the scores thus arrived at, with a higher score indicating greater disclosure.

Data Analysis and Interpretation

As explained earlier, with the help of instrument corporate governance and disclosure practices of firms were calculated by thoroughly scrutinising annual report of firms. The CGD score was calculated for all 54 firms of sample and is tabulated in Annexure-I. Figure 1, below graphically shows means CGD score across various sectors.



(Source: Chart developed by author)

ExplanatoryVariable andTestable Hypothesis

The explanatory variable used in the present research isvarious sectors of firms. The study aims to find out if corporate governance and disclosure scores of firms in different sectors are significantly different.

The following hypothesis has emerged to make this research more reliable and conclusive:

Null Hypothesis (H_0): *There is no significant difference in corporate governance practices amongfirms of various sectors.*

MAJOR FINDINGS

A detailed analysis of the CGD score for sample firms is presented in Table 1. Values of minimum, maximum, average and standard deviation of CGD score forvarious sectors have also been reflected. Results show that there is a difference between mean andstandard deviation of CGD score forvarious sectors. Analysis of the result shown in Table1, indicates that mean of CGD score is higher forIT sector firms at32. However, the standard deviation of CGD score is higher at 10.82 for FMCG sector firms when compared with other sectorsin the sample.

Table 1, indicates that it is the IT firms which are found tohave the highest corporate governance disclosure. Mean CGD score of 32 for IT sector is considerably higher than mean score of 25.96 reported for mean score of all sectors. This could be attributed to the fact that firms in these sectors have seen great expansion in the last few years. As a result, there is an increased need for capital and to meet this requirement of capital;such firms have increasingly approached global capital markets. Out of 6 firms in this sector, 2 firmsare listed abroad (US). As a consequence, the firms in these sectors have had to meet disclosure requirements of two countries - the home country and new country of listing i.e. host country. Hence, it is reflected in higher CGD score for IT sector compared to other sectors in this segment. CGD score of Consumer Durables sector is lowest at 19.67. In this sector, only one company is listed abroad (Europe). Prior research suggests that listing requirement is much stringent in US market compared to European market.

Table 1: Sector-wise Breakup of CGD score across Various Sectors

Sectors	No. of Firms	Min. CGD Score	Max. CGD Score	Mean CGD Score	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
							Lower bound	Upper bound
Power	6	25	30	28	1.79	.73	26.12	29.87
Oil & Gas	6	20	34	27.83	5.08	2.07	22.50	33.16
Metal	6	17	35	26.33	7.12	2.90	18.86	33.80
IT	6	20	47	32	10.20	4.16	21.29	42.70
FMCG	6	15	41	27.50	10.82	4.41	16.14	38.85
Capital Goods	6	21	31	24.83	3.87	1.57	20.77	28.89
Health Care	6	14	40	23.83	8.68	3.54	14.72	32.94
Auto	6	13	34	23.67	7.55	3.08	15.73	31.59
Consumer Durables	6	15	26	19.67	4.59	1.87	14.84	24.48
All Firms	54	13	47	25.96	7.44	1.01	23.93	27.99
Source: Computed by Author from company annual report /SPSS 20 software								

Table 2: Sector-wise Breakup of Firms according to Mean CGD score

Sr. No.	Sectors	No. of Firms	Mean CGD Score	No. of Firms	
				CGD Score > Mean	CGD Score < Mean
1	Power	6	28	3	3
2	Oil & Gas	6	27.83	4	2
3	Metal	6	26.33	3	3
4	IT	6	32	4	2
5	FMCG	6	27.50	3	3
6	Capital Goods	6	24.83	2	4
7	Health Care	6	23.83	2	4
8	Auto	6	23.67	3	3
9	Consumer Durables	6	19.67	3	3
All Firms		54	25.96	25	29

Source: Calculated by author)

Empirical Results

In order to test the significant differences in thecorporate governance and disclosure across various sectors, one-way ANOVAand the Kruskal -Wallis test have been used. One-way ANOVA tests the difference in adependent variable among two, three or more groups. It tests whether groups formed by thecategories of independent variables are similar. The Kruskal-Wallis test is the non-parametric testused in place of ANOVA. Results as indicated in Table3, showthat significance value is greater than 0.05, therefore at 5% level of significance; null hypothesis of equality of meansfails to be rejected. Thus, there exists no significant difference between the average corporategovernance and disclosure scores of firms across various sectors.

Table 3:

Results of ANOVA and the Kruskal-Wallis Test for difference among Various Sectors

Components of Hypothesis	*F*	Sig.	Chi -Square	Sig.
CGD scores of firms are not significantly different across industries.	1.400	.223	9.582	.214
Source: SPSS 20 output				

Corporate Governance and Disclosure Practices: Top 5 Firms

The research was able to identify the top five firms as regards corporate governance and disclosure score. These firms are Wipro, ITC, Dr. Reddy's Lab, Infosys and Godrej Consumer Products. As shown in Table 4, IT sector dominates the list as 2 out of top 5 firms are from IT sector.

Table 4: Top 5 Firms with Highest CGD Score

Sr. No.	Name of Firm	Sector	CGD Score
1	Wipro	IT	47
2	ITC	FMCG	41
3	Dr. Reddy's Lab	Health Care	40
4	Infosys	IT	37
5	Godrej Consumer Products	FMCG	36

(Source: Tabulated by Author)

There is a notable difference in the quantum of disclosures of the differentsectors. However, no significant correlation exists between the industry type and the levelof disclosure. IT Sector has the highest mean score as well as the maximum individualscore.An analysis of the various sector indicates that corporate governance disclosures vary considerably across sectors as within the sector; IT sector is having highest CGD score with mean of 32 while Consumer Durables is having lowest score with mean of 19.67 and none of the firm from this sector appears in the list of top five firms with highest CGD score.

MANAGERIAL IMPLICATIONS

The disclosure of information in annual reports by firm involves costs. These costs comprise of different elements such as cost of information gathering, management supervision, audit fees, legal fees and the dissemination of the information. Although, firms are obliged to disclose certain items of information because of mandatory regulations, it is often the case that firms voluntarily disclose more information than is required by law. When voluntary disclosures are made by firms it can reasonably be assumed that the benefits of disclosure are perceived to exceed the costs. Industry is predicted to be related to disclosure for a number of reasons. Different sectors or industries have different proprietary costs of disclosure. Such proprietary costs arise when competitors and potential new market entrants gain advantage from information disclosed by firms.

Cost competitiveness and project execution capability of Indian IT sector together with its extensive international exposure in global outsourcing market may have an effect on the extent of its disclosure in corporate annual reports that differs from other sectors. As such IT sector may disclose more information for better valuation purposes and also due to stiff competition than other traditional industries. The disclosures may also depend on the product line or the diversity of the products of the firm. However, according to this research study, no significant correlation exists between the industry type and the level of disclosure. It is worth pointing out that this result agrees with the findings of Wallace *et al*., (1994) and Raffournier (1995), Wallace and Naser (1995) and Naser *et al*., (2002).

RESEARCH LIMITATIONS

The firms which have been included in research may not represent the difference of all industries prevailing in the country. While this study tries to capture some aspects of the corporate governance and disclosures practices of firms, it is not possible to assess or verify the quality of the information provided. Similarly, this research study cannot control the accuracy of disclosure made by firms.

CONCLUSION

In this research, the corporate governance and disclosure practices of firms listed in S&P BSE sectoral indices were studied. IT firms were found to disclose significantly more information than non -IT sectors. However, there was no statistically significant difference in levels of disclosure between IT and non-IT firms. Out of 9 sectors studied in this research, Health Care, Auto and Consumer Durables sectors represent lowest mean score for corporate governance and disclosure. Also, top 3 lowest scoring firms out of 54 firms of sample belong to these 3 sectors. Hence, there is a need for the firms listed in Health Care, Auto and Consumer Durables sectors to undertake financial reporting with more extensive coverage and provide better quality information to all its stakeholders. Such firms should view corporate governance as a tool for enhancing competitiveness rather than viewing it as compliance mechanism.

A clear picture emerges from this study that in the Indian scenario, there is no statistically significant difference in the corporate governance and disclosure score of firms across various sectors. Hence, in this context future research on corporate governance should focus on other variables such as s ize of firm, management holding, institutional holding, leverage, profitability, liquidity, size of audit firm and overseas listing in order toexplain the behavior of Indian firms regarding corporate governance and disclosure practices.

ANNEXURE – I

Sr. No.	Firm	Sector	CGD Score	Sr. No.	Firm	Sector	CGD Score
1	Infosys	IT	37	**28**	Reliance Power	Power	27
2	Wipro	IT	47	**29**	NHPC	Power	29
3	Oracle Financial	IT	20	**30**	Power Grid	Power	25
4	HCL	IT	34	**31**	Sterlite	Metal	30
5	TCS	IT	33	**32**	Tata Steel	Metal	32
6	Mahindra Satyam	IT	21	**33**	Hindalco Industries	Metal	20
7	Mahindra & Mahindra	Auto	30	**34**	Coal India	Metal	24
8	Tata Motors	Auto	34	**35**	Jindal Steel & Power	Metal	17
9	Cummins	Auto	13	**36**	JSW Steel	Metal	35
10	Maruti Suzuki	Auto	19	**37**	HUL	FMCG	33
11	Bajaj Auto	Auto	24	**38**	Colgate	FMCG	15
12	Hero MotoCorp	Auto	22	**39**	Nestle	FMCG	16
13	L & T	Capital Goods	31	**40**	Godrej Consumer Products	FMCG	36
14	ABB	Capital Goods	22	**41**	ITC	FMCG	41
15	Siemens	Capital Goods	28	**42**	United Spirits	FMCG	24
16	Pipavav Defence	Capital Goods	21	**43**	Videocon Industries	Consumer Durables	18
17	Cropmton Greaves	Capital Goods	23	**44**	Titan Industries	Consumer Durables	26
18	BHEL	Capital Goods	24	**45**	TTK Prestige	Consumer Durables	15
19	IOC	Oil & Gas	28	**46**	Gitanjali Gems	Consumer Durables	24
20	Bharat Petroleum	Oil & Gas	24	**47**	Rajesh Exports	Consumer Durables	15

21	Reliance Industries	Oil & Gas	34	**48**	Bluestar	Consumer Durables	20
22	Cairn India	Oil & Gas	30	**49**	Glaxo	Health Care	20
23	ONGC	Oil & Gas	31	**50**	Cipla	Health Care	14
24	GAIL	Oil & Gas	20	**51**	Lupin	Health Care	24
25	Tata Power	Power	29	**52**	Ranbaxy Laboratories	Health Care	22
26	Reliance Infrastructure	Power	30	**53**	Dr Reddy	Health Care	40
27	NTPC	Power	28	**54**	Glenmark Pharmaceuticals	Health Care	23

(Source: Calculated by author)

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SPEAK NOW OR FOREVER HOLD YOUR PEACE. WHISTLE BLOWING AND ITS INTERFACES WITH THE ORGANIZATIONS

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ABSTRACT

Since the last decade corporate scandals have drawn public attention to the importance of whistleblowers, resulting in the creation of policies and statutes which rely heavily on whistleblowing, especially in the United States. A common assumption behind these efforts is that whistleblowing produces benefits to society at large, as it promotes a more ethical work environment.

Howeverthe risk of corruption is significantly heightened in environments where the reporting of wrongdoing is not supported or protected. Public and private sector employees have access to up-to-date information concerning their workplaces practices, and are usually the first to recognize wrongdoings.

1. However, those who report wrongdoings may be subject to retaliation, such as intimidation, harassment, dismissal or violence by their fellow colleagues or superiors. In many countries, whistleblowing is even associated with treachery or spying.
2. Whistleblower protection is therefore essential to encourage the reporting of misconduct, fraud and corruption. Providing effective protection for whistleblowers supports an open organizational culture where employees are not only aware of how to report but also have confidence in the reporting procedures.

It also helps businesses prevent and detect bribery in commercial transactions. The protection of both public and private sector whistleblowers from retaliation for reporting in good faith suspected acts of corruption and other wrongdoing is therefore integral to efforts to combat corruption, safeguard integrity, enhance accountability, and support a clean business environment.

Still, little is known about many aspects of the decision to blow the whistle on a wrongful act. Particularly in many of the Organizations, where the topic remains limited by researchers, specific cultural elements may hinder whistleblowing behaviors and limit the generalization of findings from previous studies, By exploring this gap, this paper discusses some antecedents of internal whistleblowing and proposes a comprehensive framework which integrates organizational, individual and situational influences in order to allow for a further understanding of the phenomenon and its interface with the Organizations.

Key words: whistleblowing; ethics; whistleblowing Protection; ethical decision-making.

WHY YOUR COMPANY SHOULD HAVE A WHISTLEBLOWING POLICY

Whistleblowers, those individuals who call attention to possible wrongdoing within their organizations, are the subjects of much controversy. Some say that whistleblowers are noble characters, willing to sacrifice personally and professionally to expose organizational practices that are wasteful, fraudulent, or harmful to the public safety. Others suggest that whistleblowers are, by and large, disgruntled employees who maliciously and recklessly accuse individuals they feel have wronged them in order to attain their own selfish goals.

The truth, as is often the case, probably lies somewhere between these two extremes. Whistleblowers do call attention to genuine abuses of power by decision-makers in business and government. They do often suffer retaliation for their ethical resistance. However, whistleblowers may often be wrong in their accusations and their motives are not always pure. Their actions can disrupt a workplace, and may cause serious harm to individuals wrongly accused.

Whatever your personal view of whistleblowers and whistleblowing, as an organizational policy-maker you must consider the issue objectively. It is not an issue that can be ignored, due to the possible negative consequences for both your employees and your organization. For example, a recent review of whistleblowing incidents shows that among the whistleblowers surveyed, 62% lost their jobs, 18% felt that they were harassed or transferred, and 11% had their job responsibilities or salaries reduced. Fifty-one percent of the incidents resulted in external investigations of the companies involved, 37% in management shake-ups, 22% in criminal investigations, and 11% in indictrnents. Although these outcomes may not be typical, they do point out the potential seriousness of whistle blowing.

Recent whistleblowing cases further demonstrate the potential problems facing companies that do not adequately address the issue. For example, after an employee of the entertainment company MCA notified his supervisor of apossible kickback scheme, he was fired. The employee filed a wrongful discharge suit, alleging that he was fired because of his attempt to stop the scheme. He recently received a favorable ruling in a California appellate court. In another California case, a jury awarded a former employee of a large drug company $17.5 million when he was fired after expressing concerns about product safety. Both companies have appealed the rulings.

In each of these cases, the employee expressed concern about possible organizational wrongdoing to members of management, thus providing the company an opportunity to investigate and take corrective action if necessary. Yet, management was apparently unresponsive, even hostile, to the employees' concerns, with unfortunate results. What can you do to ensure that your company handles whistleblowing more effectively?

Whistleblowing research suggests several conditions that are necessary if whistleblowing is to be effectively managed. First, your employees must be informed of the appropriate steps to take in communicating their ethical concerns internally. Studies of federal government employees indicate that there is a significant association between employees' knowledge of appropriate internal channels and the likelihood that they will report perceived wrongdoings. Second, your employees must believe that their concerns will be taken seriously and will be investigated. Studies suggest that many employees who first report their concerns internally later go outside the company with their information if they perceive their organizations to be unresponsive. Third, your employees must feel confident that they will not suffer personal reprisals for using internal channels to report perceived wrongdoing. Whistleblowing studies suggest that employees who believe that management will retaliate for expressing concerns may be more likely to blow the whistle outside the organization.

In this paper, I will argue that organizations should develop formal whistleblowing policies as a way to create the conditions necessary for the effective management of whistleblowing. These policies should provide standard guidelines within which organizations respond to the ethical or moral concerns of their employees. Whistleblowing policies should have the following components as a minimum:

1. A clear statement that employees who are aware of possible wrongdoing within the organization have a responsibility to disclose that information to appropriate parties inside the organization;
2. The designation of specific individuals or groups outside the chain of command as complaint recipients;
3. A guarantee that employees who in good faith disclose perceived wrongdoing to the designated parties inside the organization will be protected from adverse employment consequences; and
4. The establishment of a fair and impartial investigative process.

To succeed, policies must have the commitment of top management and must be adequately communicated to employees.

I believe that the whistleblowing research mentioned earlier points to legal, practical, and ethical imperatives that compel organizations to develop whistleblowing policies. The following discussion explains why I believe this, and presents the legal, practical, and ethical imperatives that make whistleblowing policies advisable.

THE LEGAL IMPERATIVE

The legal trends developing in the United States make whistleblowing policies an important part of organizations' overall ethics code. Increasing statutory protection at the federal and state levels, and court decisions that protect whistleblowers under the public policy exception to employment-at-will, lead to the statement of a legal imperative regarding whistleblowing.

1. Increasing Federal protection for whistleblowers. Employees of most organizations are expressly guaranteed protection against reprisals from their employers when they disclose actions that violate specific federal statutes. Title VII of the Civil Rights Act, the Age Discrimination in Employment Act and the Occupational Safety and Health Act all contain anti-retaliation provisions.
2. In addition, in 1989 President Bush signed a federal "Whistleblower's Protection Act" which extends protection available to federal employees who disclose government waste, fraud, and abuse. This law does not directly affect private sector employers. However, numerous legal scholars have recommended comprehensive federal legislation protecting both public and private sector whistleblowers. Congress is expected to consider legislation in 1992 that will extend federal whistleblower protection to private sector employees.
3. The increasing number of state whistleblower protection laws. In the meantime, states are moving quickly to fill the void left by the lack of comprehensive federal legislation. Michigan passed the first "Whistleblower's Protection Law" in 1981, and the majority of states now have such statutes. Many of these apply equally to public and private sector

employees. Most of these laws specify that employees have a right to report the illegal or illegitimate actions of their employers to regulatory agencies, government officials, law enforcement officials, and the like. They generally provide remedies, including reinstatement and back pay, for employees who can show that they have suffered adverse employment consequences as a result of their whistleblowing activities. Some states also allow successful plaintiffs to collect punitive damages. Organizations should be aware of the law regarding employee whistleblowers in states in which they operate.

4. The increasing erosion of the employment-at-will doctrine. In addition to the legal trends toward whistleblower protection at the federal and state levels, the courts are increasingly recognizing exceptions to the traditional at-will doctrine which has governed most private sector employer-employee relationships for well over 100 years. For example, courts have found "implied contracts" in employee handbooks or in statements made by company officials when hiring individuals which limit the right to terminate except for “just cause." Some courts have found that some employers have shown "malice and bad faith" when discharging employees and have provided relief to the employees. Other courts have held that certain personnel decisions by employers violate "public policy" and that such actions are exceptions to the traditional doctrine of employment-at-will. All of these exceptions have, in some jurisdictions, been cited to protect whistleblowers from discharge. The public policy exception probably offers the broadest potential protection for whistleblowers. Therefore, I will examine it in slightly more detail.

Essentially, the public policy exception means that employees performing acts that are consistent with public policy or refusing to perform acts that public policy discourages are protected against reprisals. The term "public policy" is vague, and has been interpreted differently by different courts. Some courts have ruled that the whistleblower who in good faith discloses perceived organizational wrongdoing is acting in a manner consistent with public policy, and therefore is protected from discharge. Other courts, however, have denied relief to whistleblowers, even while acknowledging that employers' disciplinary actions were unfair.

So, while there is no certainty that at will employees can find protection under one of the exceptions to the doctrine, courts in many jurisdictions have provided relief to whistleblowers. Organizations must be aware that even if there is no federal or state statute expressly protecting whistleblowers, there is a possibility that adverse personnel actions against whistleblowers may backfire because of the increasing limits the courts are placing on employment-at-will.

So what exactly is the legal innovative? Nothing in federal or state law, and no court decision, suggests that your organization is required to develop an internal whistleblowing policy. Does it follow that because whistleblowers may be protected from reprisals that your organization should have such a policy?

INDIAN COMPANIES YET TO FULLY USE WHISTLE BLOWING MECHANISM:

Indian companies are yet to fully utilize whistle blowing mechanism as an "effective tool" to curb frauds, with most employees taking informal channels to alert the top brass about misdoings, says a survey.

"Most frauds result in some form of business disruption as well as reputation and financial losses. Whistle blowing is still at a nascent stage in India and most Indian companies do not use it as an effective tool against fraud," as per a report jointly released by Assocham and E&Y.

Whistle blowing system, popular in the developed nations including the US, would be part of the revamped Companies Act.

The new Companies Bill, cleared by Lok Sabha last December, is likely to be passed by the Rajya Sabha in the current Parliament session.

The study said an effective whistle-blowing mechanism comprises an independent review conducted by an audit committee. In the absence of a mandatory and effective mechanism, most employees in India use informal channels to report any unusual incident as a last resort.

"The ground reality is that most such cases are eventually investigated due to issues being raised by employees, business partners or vendors," it said.

While a number of Indian companies have whistle-blowing policies, most of them use these more as a 'good to comply with' measure, it said.

However, it said that once the new Companies Bill gets passed, the corporates will have to put in place effective whistle-blowing mechanisms and make these an important part of their strategic agenda.

The study said to achieve desired benefits from such a mechanism, it is important for an organisation to have a cross-functional committee and sub-committees that evaluate complaints, decide on follow-up action and initiate disciplinary action and report incidents.

"In the immediate scenario, it may be challenging for a company to bring about a change in its operations, but in the long run its doing so will demonstrate its seriousness in detecting misconduct and its intention of complying with the law, the report said.

Further, it said, technology can help organizations detect fraud by using various applications and databases in a structured manner to identify duplicate procurements, related parties doing business, split purchase orders and inflated expense statements.

The report said 73 per cent of respondents feel that the companies should adopt a zero tolerance approach to bribery and corruption, while the remaining were in favour of stringent disciplinary procedures.

Research indicates that many organizations retaliate against whistleblowers. In the absence of a clear organizational directive against such retaliation, it may happen in your company. Such personnel actions may put your organization in violation of federal or state law protecting whistleblowers, or may make you vulnerable to employee lawsuits based on exceptions to the doctrine of employment-at-will.

Whatever your personal views toward whistleblowers, the prudent course is to formalize a stance toward whistleblowing that outlines your company's opposition to reprisals against whistleblowers. The legal imperative is to prevent adverse personnel decisions that may be linked to whistleblowing. Such retaliation, even when not specifically prohibited by law, has the potential for creating damaging lawsuits. A policy that expressly forbids such conduct is probably advisable for this reason alone.

WHISTLEBLOWING IN INDIAN ORGANIZATIONS PERSPECTIVE:

When in October last year, one of India’s largest IT companies, Infosys, reached a $35m settlement with US authorities for an alleged visa fraud, a former employee Jack Palmer made instant headlines in India.

Jack Palmer, the then IT manager with the Indian outsourcing giant, had filed a whistleblower lawsuit against the company alleging that it was deliberately flouting the US visa rules to facilitate visits of its Indian employees on short-term B1 visas back in February 2011.

B1 visas are essentially meant for employees who are traveling to consult with associates, or attending a training or convention. They do not allow full-time employment in the US.

Accusing Infosys of harassment, Palmer alleged that he was sidelined and victimized by the company's top bosses after he refused an internal settlement offer.

The US federal court, hearing the case, subsequently dismissed Palmer's lawsuit, but the allegations did spur a federal investigation into the visa practices at Infosys.

While the Indian software company hotly contested the allegations, it did however agree to the settlement subsequently.

Palmer is now slated to receive up to $8m from the settlement amount as reward for bringing the transgression into the open.

EMPOWERING WHISTLEBLOWERS

Visa transgressions are not isolated to Nanny gate alone that caused a major diplomatic row between India and the US. Private individuals' exposing major corporations is also emerging.

For corporate India, the Infosys incident was a rare brush with private individuals exposing large establishments and stringent American laws that call for employees to expose internal corruption.

It is something that is relatively unheard in India despite the country's often-dismal track record with corruption.

But the matter has nonetheless resonated well in India's policy circles and renewed demands for adequate protection for whistleblowers in India, including those employed in the private sector.

Currently, there is no legal protection for such individuals in India. The Whistleblower Protection Bill, which was introduced in 2011, is still waiting for approval from lawmakers in the Upper House of Indian parliament.

The much talked about 'Jan Lok Pal' (public ombudsman) bill was finally passed in December last year paving the way for the creation of a public watchdog in India to independently probe corruption cases.

But legal experts maintain that a strong protection law which would expose corruption in the first place is of the utmost importance.

"I strongly feel that the parliament should have passed the whistleblower protection bill first," said Siddharth Barua, a senior corporate lawyer based in New Delhi.

"Also, the provisions of the bill should be revised to include adequate safeguards for private sector whistleblowers," he told Al Jazeera.

Under the current provisions of India's whistleblowers protection bill, legal safeguards to individuals are guaranteed only in cases pertaining to government establishments or where substantial public money is involved.

But critics point out that the proposed law completely overlooks growing corruption in the private sector, where several high-profile fraud cases have come to light in recent years.

"It is imperative that whistleblowers from [the] private sector be encouraged actively and given adequate protection," says Aditi Gupta, a Delhi based civil rights activist.

CORRUPTION IN PRIVATE SECTOR

In February 2012, India’s Supreme Court quashed 122 telecom licenses awarded to 16 Indian companies after it was found that a number of them had bribed senior government officials, including the then federal telecom minister A Raja to secure telecom licenses.

Estimated to be worth $27bn, a number of senior officials from the government as well as private sector were jailed in the aftermath of the scam, which became widely known as the 2G-spectrum scam.

Incidentally, the 2G-spectrum scam was listed by Time magazine among the top ten abuses of power just below the 'Watergate scandal'.

Similarly, allegations of corruption surfaced against several top Indian companies in 2012 over allocation of captive coal blocks to them by the government.

It was alleged that the coal blocks, valued at billions of rupees, were given away almost free to a few private companies without any proper evaluation of their end use.

Many companies are known to have simply sold the free coal in the open market earning windfall profits.

"There is often a clear nexus between government employees and private sector in many of these cases and it makes perfect sense to encourage employees of private companies to speak out," Aditi Gupta told Al Jazeera.

But in the absence of legal safeguards there is little incentive for anyone to speak out, Gupta said.

Also, management accountability in India is often viewed as problematic as many Indian businesses are still owned and managed by families.

"There are instances where exposing or asking questions has led to punitive action by company management and very often the job of the whistleblower is at stake," said Arnab Das, a Mumbai-based management consultant.

HIGH STAKES

But the stakes can be even higher. There have been multiple instances of threatening, harassment and even murder of whistleblowers in India.

In 2003, Satyendra Dubey, an engineer employed with National Highways Authority of India was murdered after he exposed corruption in road projects under his watch.

Two years later, an Indian Oil Corporation officer, Shanmugam Manjunath, was shot dead for acting against petrol adulterers in the northern state of Uttar Pradesh.

Both cases evoked widespread concerns over safety of whistleblowers in India and activists believe they still aren't properly protected by the law.

In light of abuses, anti-corruption movements have gained momentum in the past few years. One series of street protests caught the public's imagination especially after social activist Anna Hazare went on a hunger strike in April 2011 to force the government to pass a strong anti-corruption law.

Hazare's one-time confidant, Arvind Kejriwal, who launched a political outfit named Aam Aadmi Party (common man) or AAP a year ago, was elected as the Chief Minister of Delhi after an emphatic victory in the recently held Assembly elections.

"Clearly, there is growing realisation that exposing corruption from the grass roots level should be the top most priority," Barua said.

"And as the footprint of Indian companies grows across the globe they will have no choice but to become more transparent in their dealings," he told Al Jazeera.

Experts say that the strong anti-bribery laws in many countries are gradually making many Indian companies take note. Laws like US Foreign Corrupt Practices Act (FCPA) and UK Bribery Act are now becoming increasingly relevant for Indian companies as they expand overseas.

As such even without a law in place, Indian companies will have to improve their internal reporting standards or they risk huge penalties like Infosys did in the US.

CASE FOR WHISTLEBLOWING LAW IN INDIA

The term `whistle-blowing' is a relatively recent entry into the vocabulary of public and corporate affairs, although the phenomenon itself is not new. It refers to the process by which insiders go public with their claims of malpractices by, or within, organisations - usually after failing to remedy the matters from the inside, and often at great personal risk to themselves. Sometimes the cost of such valiant efforts is just too high to pay.

Satyendra Dubey, was one of those rare young men who was completely and uncomplicatedly honest. He didn't know he was a hero. An engineer from Indian Institute of Technology, Kanpur and working for National Highway Authority of India probably never knew the word but died for simply doing the right thing. Gunned down by the mafia in Gaya on early November 27 morning, nearly a year after he had complained of corruption on the Golden Quadilateral project to the Prime Minister's office. Knowing the dangers that surround honest people bucking the whole corrupt system, in his letter, Dubey had requested that his name be kept secret, a request that wasn't honoured- the letter was sent from the PMO to the Ministry of Road, Transport and Highways and then to the National Highway Authority of India, with which Dubey was working as Deputy General Manager. His death speaks volumes about the growing nexus between politicians and mafia and also highlights the illegal procedures/ways involved in awarding contracts and also the allegedly fraudulent pre qualification bids in connection to big development projects.

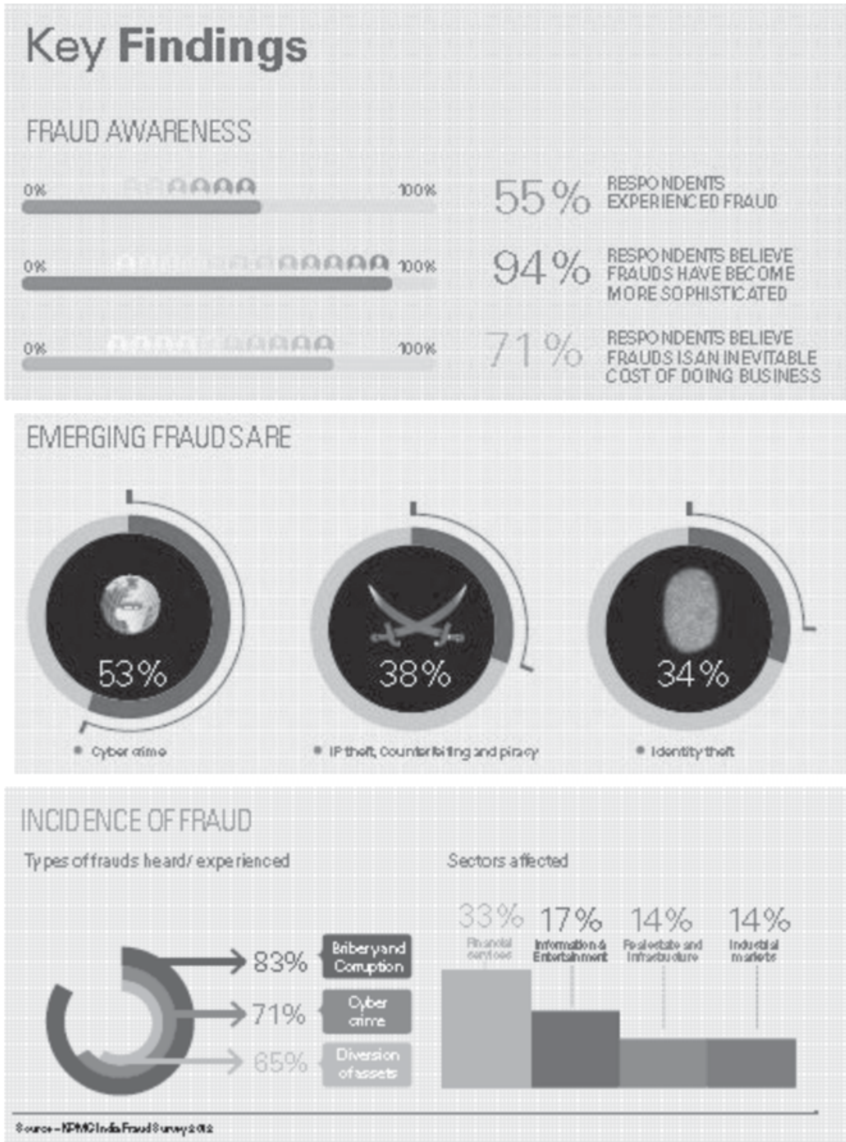
India has recently passed a federal Freedom of Information Bill in 2003 however it does not have a Whistleblowers Act recommended by the Constitution Review Commission in 2002. Moreover a draft bill on public disclosures recommended by the Law Commission lies in cold storage. Satyendra Dubey's death merits attention and a subsequent Public Interest Litigation urges the Supreme Court to direct the Centre to evolve a system to ensure protection to anybody who complains to the Government against corruption.

Corruption exists all over the world and thrives at all layers of government. Officers who refuse to enter the bandwagon are victimized. In India, the Tehelka expose involving defense deals had not only victimized the reporters involved in the undercover operation but also harassed virtually anybody associated with the portal. In this case, the owner of the Global capital who owned a share in the portal was imprisoned without any concrete charges framed against him. All this was due to the fact that the expose had caught some of the high ups in the ruling coalition taking bribes on camera! More recently, the Labour Government in England had found a scapegoat in Dr David Kelly who was considered a 'mole' in the Ministry of Defence inorder to draw public attention away from the Iraq war. He was named as the source of a disputed BBC report claiming the Downing Street had "sexed up" evidence of Iraqi weapons of mass destruction so as to drive the country into the war with Iraq.

The need and urgency of a whistleblowing act cannot be overemphasized even as Satyendra Dubey's death sparked off widespread public protest. Both in unlettered societies with meager resources as also in the developed world, there is an urgent need both for access to information by the public along with an act that would provide protection to all those who blew the whistle. It is time that the authorities took cognizance of the fact that money associated with development works that usually comes from the tax payers pocket lands up in corrupt hands. In the process development takes the back seat. India cannot afford to lose its money nor its resources. The real heroes of today's world are honest people. They are few and far between. They are the ones society is longing to follow. But everywhere it sees them fail. Yet the world, and developing countries especially cannot afford to lose its honest officers who stand up against all odds and risk their lives. It is time the government thinks about cleaning its system by providing protection to all those ordinary people who dares to bare open facts and has a stake at country's future. Mere assurance from the Prime Minister that the guilty wouldn't be spared is not enough---either to the citizens or to Dubey's family. If the government really means business it has to go about demonstrating that there are systems in place for good people to rely on. We need a fast and efficient judiciary to handover judgments in fair and impartial manner with or without political and social pressure, and a clean and unbiased police that will come to the aid of those working on the right side of the law; we also need public knowledge about the constitution and rule of law; and laws that will encourage people in both urban and rural areas to come forward without any fear to usher in an era of transparency, accountability and participation in the governance of the country. We need a system, a society where a person can do its duty without fear and the head held high. If the government really intends to deliver such a nation, then it is time the government pulled up its sleeves and makes concrete efforts to pass a whistleblowers act. It follows that no measure to curb government and corporate transgressions in India or elsewhere will bear fruit unless legal immunity and protection against retaliation is given to responsible and conscientious whistleblowing.

KPMG INDIA FRAUD SURVEY 2012:

The KPMG India fraud survey has highlighted the emergence of newer forms of frauds & reliance on technology to perpetrate them. Cyber-crime, intellectual properly fraud, piracy & counterfeiting & identity theft have been identified as the key fraud risks of the future.



THE PRACTICAL AMPERAGE

Although the legal factor discussed make a good case for the need to treat whistleblowing as a policy issue, I believe there is a practical imperative also. In the following discussion, I explain why I believe this, and then state the practical imperative.

1. The inevitability of wrongdoing. One executive, responding to my questions concerning whistleblowing policies, said words to this effect; "We don't have a policy. We don't have any need for one in our company, because no one is engaged in wrongdoing." This seems a particularly naive view considering what we know about the state of ethical behavior in business and government.
2. In a perfect world, wrongdoing would be nonexistent; employees would never disagree with the actions of organizational leaders on ethical or moral grounds. This is not a perfect world, however. Wrongdoing, or at least the perception of wrongdoing, is almost sure to occur. When it does, there are often employees who will desire to stop it.

Whistleblowing policies that provide internal disclosure mechanisms for employees offer a viable alternative to employees who wish to express concerns of an ethical nature.

3. The likelihood of increased whistle blowing. Although empirical evidence is difficult to come by, there is a general perception that whistleblowing is on the rise, for several possible reasons.

- First, there is a continuing problem of unethical conduct in business and government. One cannot read the newspaper or turn on the television without hearing of a new scandal, and there is little need to list the numerous well-publicized cases of recent years. We can probably assume that for every case of unethical behavior we hear about, many others do not make the headlines. It seems obvious that despite all the lip service we give to business ethics, we still have a long way to go to achieve ethical behavior in the workplace.
- The second reason whistleblowing may be increasing is that our society seems to sanction blowing the whistle as a way to promote more ethical behavior in business. Big business and government are generally regarded as too powerful, and as exercising too much control over our lives. Whistleblowers are regarded as the underdogs, taking on powerful organizations for society's well-being. They are held up as heroic figures by the media Academics praise their actions and call for comprehensive protection for them. And, as they discussed earlier, such legal protection is indeed increasingly available.
- Finally, the world is becoming increasingly complex. Business organizations must deal with diverse and demanding stakeholder groups. More and more conflict between business and these groups can be expected concerning controversial issues such as the environment, civil rights, product safety, animal rights, and many other issues. Employees who sympathize with activists in various interest groups may be torn between their feelings toward these groups and loyalty to their organizations. When confronted with ethical conflicts which force them to choose between competing loyalties, they may choose actions which are consistent with their perceived obligations to individuals and groups outside the organization.

THE INEFFECTIVENESS OF RETALIATION.

Although it seems that organizations sometimes punish whistleblowers to silence them or to persuade other employees to keep silent, there is little if any empirical evidence that such tactics work. In fact, employees who blow the whistle to parties outside the organization generally do so because their efforts at internal resolution have been frustrated by unconcerned or hostile supervisors, top managers, etc. They are aware that their actions may bring adverse personal consequences, but are willing to run the risk to call attention to what they believe is morally or ethically unacceptable.

Whether whistleblowers' actions are justified or not, and whether their concerns are legitimate or not, retaliation accomplishes little and may cost much. It is simply not a viable long term strategy for dealing with employee dissenters.

THE POTENTIAL FOR INTERNAL RESOLUTION.

As the cases cited earlier clearly show, when organizational "dirty laundry" is exposed publicly, it can do great harm. The reputation of the firm suffers. The financial performance of the company may be affected. The organization may find itself sued by those who feel they have been harmed by the actions of the company.

Whistleblowing policies offer the opportunity for internal resolution of sensitive issues. Employees who use the internal channels established by such policies actually do organizations a great favor by giving them the chance to investigate employees' concerns before those concerns become public. If investigation reveals legitimate problems, at least organizations have the chance to correct them without the glare of publicity.

Many times, illegalities or morally dubious activities are taking place in organizations without the knowledge or consent of top executives. The internal communication channels established by whistleblowing policies may prevent top management from being blindsided by public disclosures of alleged wrongdoing.

Now we can define the practical iterative. You cannot expect that wrongdoing, or the perception of wrongdoing, can be entirely eliminated in your company, even if you develop ethics codes, preach ethical behavior to employees, and practice what you preach. If unethical behavior is occurring, the possibility of whistleblowing is very real. Neither taking an inactive stance toward whistleblowing, nor actively retaliating against employees who blow the whistle, are successful long-term strategies. Your organization should take proactive steps to resolve ethical and moral conflicts.

The practical imperative is to prevent public disclosure of alleged wrongdoing. Establishing a whistleblowing policy that creates internal communication channels through which employees can express their concerns about questionable activities is one of the more useful steps you can take to protect your organization from unexpected public disclosures. If employees can be persuaded that you are serious about responding to their ethical concerns, it seems unlikely they will feel compelled to blow the whistle on your company. Ethical problems may be solved internally, instead of showing up on the front pages and television news shows.

THE ETHICAL IMPERATIVE

So far, I have offered both a legal and practical imperative for organization to establish whistleblowing policies. I also believe there is an ethical imperative, which I will explain next.

1. The potential for improving the ethical climate. I have already noted the continuing problem of unethical behavior in business and government. Many business leaders express concern about improving the ethical climate within their organizations but do not know how to do it. As academics, we have told executives to develop ethics codes which spell out standards of conduct. Many have done this, only to find that they seem to make little genuine difference in the behavior of employees. What else can be done?

I believe that whistleblowing policies can "put teeth" in ethics codes by institutionalizing both the process employees can use to share their ethical concerns and the process by which organizations respond. Effective whistleblowing policies may improve the ethical climate by increasing employees' confidence that their ethical concerns will be taken seriously and that they will not be punished for good-faith attempts to report perceived violations of the ethics code.

2. The need for fairness. Most companies develop a wide variety of policies concerning issues such as selection, performance appraisal, promotion, and compensation. One of the key reasons for developing such policies is the need to provide equitable treatment to employees. In other words, the objective of many personnel policies is to ensure that employees are treated fairly.

Whistleblowing policies also should be motivated by the desire to treat employees fairly. First, individuals concerned about possible wrongdoing within the organization, who honestly express their concerns, should be treated fairly. Those who find themselves the target of whistleblowers' accusations should be treated fairly. Whistleblowing policies can help ensure that all employees concerned receive equitable treatment by standardizing the way such situations are handled.

Whistleblowing policies can also ensure that employees right to free speech isn't violated. This right is not absolute. Employees do not have the right to make malicious or irresponsible charges of wrongdoing that are not supported by facts. They do not have the right to disrupt the workplace just because they think organizational actions are unwise or because they disagree with company policy. But they should not be expected to go along silently when they are aware of probable wrongdoing, or when they are asked to do something they feel violates the law or generally accepted moral standards.

Recognizing employee’s right to speech does not imply that organizational leaders must abandon traditional authority structures or abdicate their responsibilities as managers. What it does mean is that organizations recognize employees' legitimate right to express concerns with organizational practices that they believe violate the law or generally accepted moral standards.

Now we can summarize the ethical imperative. It is a rare organization indeed that does not pay lip service to ethical conduct among its employees. And yet we are constantly besieged by reports of scandals in business and government. Obviously, more is required of your organization than writing an ethics code and distributing it once a year to your employees. You must take proactive steps to improve your company's ethical climate.

The ethical imperative is to create a just workplace. In this context, I consider a just workplace to be one where:

- Your organization is committed to high standards of ethical conduct;
- Employees right to express concern about perceived moral or ethical problems to appropriate parties inside the organization is protected; and
- All employees are treated fairly when questions of unethical or immoral behavior are raised.
- Whistleblowing policies can contribute to a just workplace by helping to improve the ethical climate and by helping to ensure that employee rights are respected.

Wrongdoing cannot be corrected unless organizational leaders are aware of it. Whistleblowing policies should promote more open communication about sensitive ethical and moral issues. One research study suggests that formal whistleblowing policies do indeed encourage such communication. The policies should make your organization's code of conduct more relevant by making it more likely that violators will be held accountable.

A primary goal of personnel policies is the fair treatment of employees. Whistleblowing policies should increase the chances that both whistleblowers and those who are targeted by their accusations will be treated equitably.

A Final Word

I have discussed briefly the essential components of whistleblowing policies and have presented what I believe to be three imperatives that compel your organization to consider adopting such a policy. In summary, I believe that organizations should establish whistleblowing policies in order to:

- prevent retaliation against employees for expressing concerns about perceived wrongdoing (the legal imperative);
- Prevent public disclosures of alleged organizational wrongdoing, (the practical imperative); and
- Create a more just workplace (the ethical imperative).

In closing, let me point out that I certainly do not believe that whistleblowing policies are a panacea for all ethical problems. Indeed, establishing such policies is just the first step. Communicating to employees the policy is equally crucial, and this means more than just an annual letter from the CEO. Ethical training sessions should be undertaken to acquaint employees with ethical dilemmas unique to your organization. Concrete examples of the types of activities that should be disclosed through internal whistleblowing channels should be discussed with employees. Employees should understand that they must be responsible in making accusations of wrongdoing, and that malicious or reckless charges are not sanctioned. Employees should understand how the organization will respond to their concerns in terms of an investigative process.

The policy must be more than words on paper. Writing a policy, adopting it, and then going on with business as usual will do nothing to protect your company or to improve ethical conduct. The policy must reflect the real commitment of your organization to prevent retaliation against employee whistleblowers; encourage employees with ethical concerns to discuss them internally rather than externally; and create an overall environment within which employees have the opportunity and desire to behave ethically and responsibly.

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EVOLUTION OF E-GOVERNANCE THROUGH INFORMATION COMMUNICATION TECHNOLOGY

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ABSTRACT

The 'e-Governance' can makegovernance more efficient and more effective The purpose of implementing e- governance is to enhance good governance. Good governance is generally characterized by participation, transparency and accountability. The recent advances in communication technologies and the Internet provide opportunities to transform the relationship between governments and citizens in a new way, thus contributing to the achievement of good governance goals.

This paperoutlines the four main contributions of e-governance: Government-to-Citizen, Government-to-Business, Customer-to-Government, and Government-to-Government. It also showsuse of modern technology in administrating and applying e-Government, h ow ICT is beneficial to governance in Hospitals, Universities, Public Services, and other areas. Improve the awareness of people by multiple channels of e-service delivery, marketing of e-Governance.

Most important points describe in this paper are that we can increase the use of e-Governance through various technologies like "Mobile governance", "virtualization and cloud computing". Cyber security and data security are another enhancement of ICT to secure the e-governance applications.This paper also outline the Case studies used to show that e-Governanceis a current, not just future.

Key Word: ICT (Information Communication Technology), e-Governance (Electronic Governance), m-Governance (Mobile Governance), IT (Information Technology)

INTRODUCTION OF E-GOVERNANCE

e-Governance is the application of information and communication technology to transform the efficiency, effectiveness, transparency, accountability of informational and transactional exchanges with government, citizens and businesses.

E-governance refers to the delivery of national or local government information and services via Internet or other digital means to citizens or businesses or other governmental agencies.e-Governance is the use of information technology to provide citizen and organizations with more convenient access to government information and services and to provide delivery of public services to citizen, business partners, and those working in the public sector.

In other words e-Governance is the use of information and communication technologies (ICTs) to improve the activities of public sector organizations.

WHAT IN NEW IN E-GOVERNANCE?

For developing a country, governments have been using IT for more than 40 years. So new is that we are moving on from IT to ICTs.

The old model was one of information technology (IT) automating the internal workings of government by processing data. The new model is one of information and communication technologies (ICTs) supporting and transforming the external workings of governance by processing and communicating data.

HOW ICT WORK WITH E-GOVERNANCE?

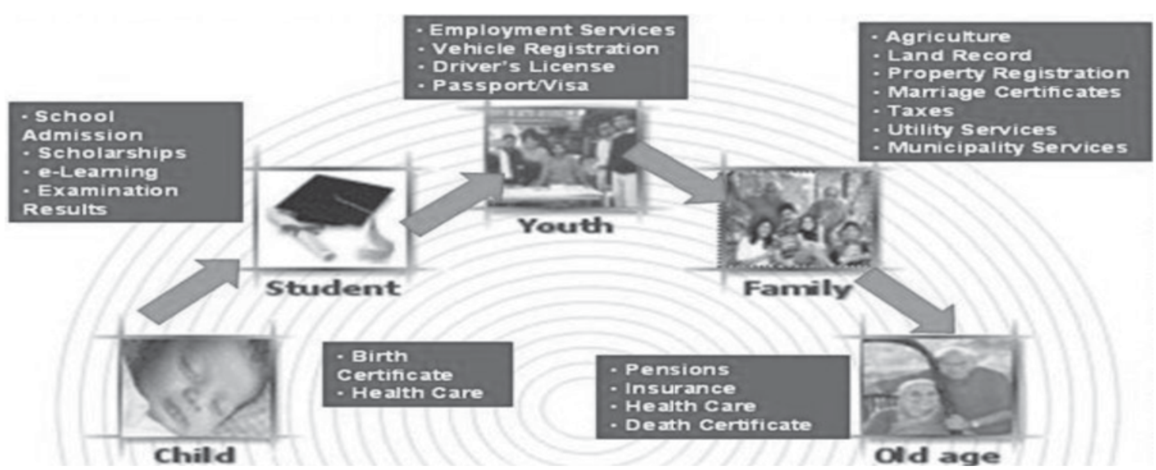
Information Communication Technology (ICT) is used to describe a range of technologies for gathering, storing, retrieving, processing, analyzing, and transmitting information through various elements like computers, mobiles, laptops, telecommunication, smart phones etc.ICT is used as greater source for development of Government activity. Using ICT total government work is transfer from manual to computerize.

4: SCOPE OF E-GOVERNANCE.

E-governance has radically defined the way a government provides service to citizens, businesses and other arms of the government using the following delivery models:

4.1 Government-to-Citizen (G2C)

G2C will aim at connecting citizens to government by talking to citizens and supporting accountability, by listening to citizens and supporting democracy, and by improving public services.



it will involve better services to the citizens through single point delivery mechanism and will involve areas like:

4.1.1 e-Citizens

Under e-citizens integrated service centers will be created. The purpose of these centers will be to take over the various customer services in due course. It will offer services like issue of Certificates, Ration Cards, Passports, Payment of Bills and taxes etc.These centers will become one stop Government Shops for delivery of all services.

4.1.2 e-Transport

The transport aspects that can be easily e-Governed include:Registration of motor vehicles, Issue of driving licenses, Issue of plying permissions (Permits), Tax and fee collection through Cash and Bank Challans and Control of Pollution.

4.1.3 e-Medicine

It will involve linking of various hospitals in different parts of the country and provide better medical services to the citizen.

4.1.4 e-Education

e-Education will constitute various initiatives of educating the citizen and the Government with the various Information technologies.

4.1.5 e-Registration

e-Governanceprovides the registration and transfer of the properties and stamp duty to be paid thereon will bring substantial reduction of paper work and reduce the duplicating of entries. Further the transparency in work will increase and the overall time of process registration will reduce.

4.2 Government-to-Business (G2B)

4.2.1 E-Taxation

This will constitute the various services a business house needs to get from the Government, which includes getting licenses etc.

4.3 Government-to-Government (G2G)

This can also be referred as ***e-Administration.***It involves improving government processes by cutting costs, by managing performance, by making strategic connections within government,

and by creating empowerment. It will involve networking all Government offices so as to produce synergy among them. The major areas are:

4.4 Customer-to-Government(C2G)

C2G will mainly constitute the areas where the citizen interacts with the Government. It will include areas like election when citizens vote for the Government; Census where he provides

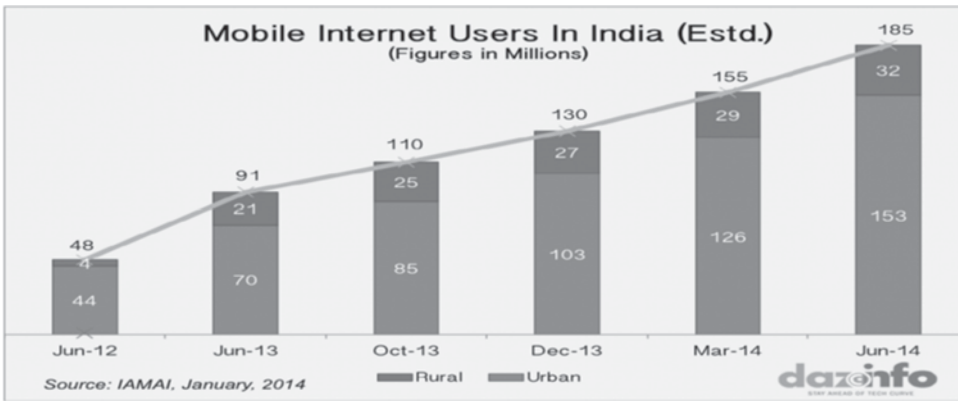
information about himself to the Government; taxation where he is paying taxes to the Government.

FUTURE TECHNOLOGIES USE FOR INCREASE PERFORMANCE OF E-GOVERNANCE 5.1

Mobile Governance

Mobile Governance is also referred to as m-Governance is the extension of e-Governance where each government services & applications are possible using cellular/mobiles telephones or smart phones. m-Governance is the advance technique of ICT to implement governance as a transparency to the citizen.

This is a very important for the development of countries in the world. As we know today maximum people use mobile for communications, as well as for internet following is the rate of mobile user in India till January-2014.



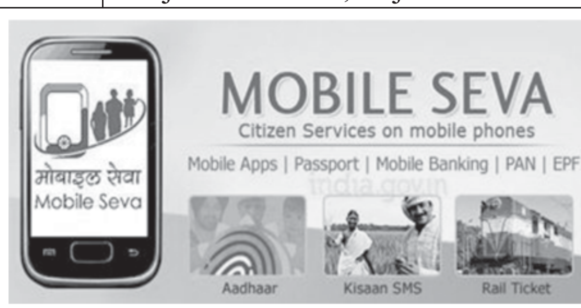
These mobiles are replaced by smart phones today where smart phones are highly advance technology build. These mobiles contain wireless technologies, GPRS, applications etc. Smart phones include all of the features of laptop including Wi-Fi& accessories.

Smart mobile describe all features with users friendly environment & affordable cost So that maximum people today use smart phones. India become world’s second largest smart phone market.

These technologies are easily available today through smart phone. So there is a wide range of capacity for government to deliver governance related services via mobile phones. Governance services like payments, health care, agriculture, education, employment, transportation low & order, tax etc.There can be feature possibilities for transaction like bill, loan payments & mobile payments for a variety of public services like transport & school fees.

FOLLOWING ARE THE SOME STATES USE THE MOBILE GOVERNANCE:

Andaman &Nikobar	Electricity Bill details, Transfer and online posting system, A&N SSDGService
Andhra Pradesh	MEESEVA Service
Chandigadh	Chandigadh City Guid
Delhi	Delhi Electricity Power Complaint
Maharastra	MaharastrRainFallInfo, MaharastraSugar
Punjab	PunjabUID
Rajasthan	Rajasthan Police, Rajasthan UID



In India There is one application store 'Mobile Seva' provide all states mobile governance applications. User of particular state can download any application from Mobile Seva Application store.

Website Name: https://apps.mgov.gov.in

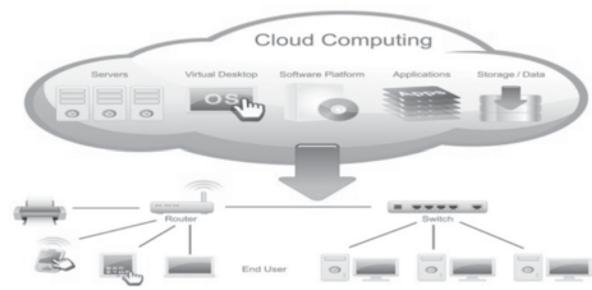
(5.2) How Virtualization and cloud computing beneficial to e-Governance?

5.2.1 What is Virtualization?

Virtualization is a broad concept that refers to thecreation of a virtual version of something, whether hardware, a software environment, storage, or a network.

5.2.2 What is Cloud Computing?

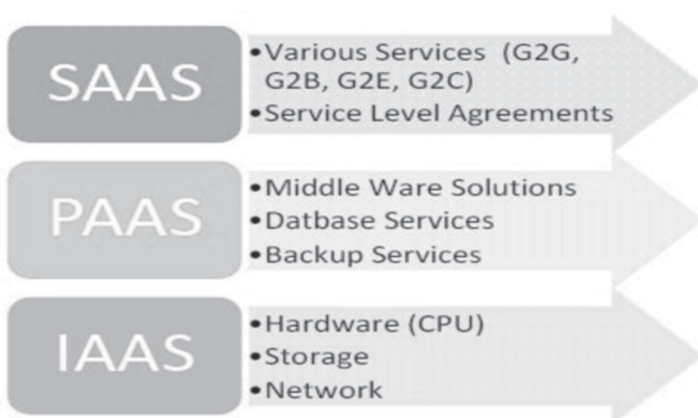
Cloud computing is a way of using the Internet to consume rapid and scalable software or other IT services on demand. Users share processing power, storage space, bandwidth, memory, and software.



Cloud computing as it implements Virtualization and Distributed computing model, it offers us variety of services, and some of these include:

- Pay per as you go.
- Service on demand.
- Shared resources.
- Enhanced security.
- Centralized Monitoring and Control

5.2.3 Services provided by cloud computing:



5.2.4 How Cloud computing implement in e-Governance?

As cloud computingprovides rapid and scalable application services, government can easily enable various information to the citizen. Web applications are the part of ICT, has large scale to describe bucket of information to improve the awareness of people of our country.

Cloud computing provide these web application as services to the citizen. Government can use large data center to store public information with security. Public can access their information from these data centers using medium called ‘cloud’.

ICT convert the governance services from manual to computerized. As governance also wants these services with low cost, low power , high storage of data and high speed flow of services, so ICT can be merged with cloud computing services to transform the e-Governance application from ‘Computerized services’ to ‘rapid and scalable services’.

There will be two service modules of cloud computing are useful in future for e-Governance and that are “Software As A Service” and “Infrastructure As A Service”.

(1) Software As A Service

E-Governance requires a 24x7 infrastructure availability minimizing downtime. E-Governance applications can assume unlimited supply of CPU, storage and bandwidth when operating from cloud. Application designers can focus on features and usability instead of worrying about scalability etc. Still, applications perform better on cloud compared to traditional architecture.

(2) Infrastructure As A Service

Cloud offers applications as a service. Imagine a case of new district deciding to move to E-Governancesolution for some application for their citizens. The district need not purchase applications, hardwareand software. They can make a request for a particular service from the cloud provider. Applicationsinstances can then be created for their use. Numerous applications can be provided as standardservices, where departments can request and manage. Some of the applications can be:

- Complaint Resolution System
- Employee Management Systems
- Attendance Resolutions Systems
- E-police, E-court
- Municipal Maintenance
- Water Boards, Billing, Payment Systems
- District Management Solutions
- Service Desk

5.2.5 BENEFITS OF CLOUD COMPUTING FOR E-GOVERNANCE

- **Centralized Auditing:** Since cloud offers its application to be centrally operated, the Auditing of the proofs and expenditure could be done with less cost and more effectiveness.
- **Management Information System:** It offers integrated decision making platform for any Electronic Procurement, Invoice Processing and Stock.
- **Deployment of Citizen Services:**Deployment of citizen’s services canbe implemented by adoption of cloud computing in less time and more effectively.
- **Agriculture:** Farmers forms the strength of any country. Agriculture is that domain where cloud computing can efficiently act as mediator or source of information for the practices and research that are being carried out in other countries by the farmers.

- **Education:** Enabling cloud for education will provide us the best trainings and practices adopted by overseas Educational hubs thereby making practical and productive learning.
- **Crime management:** Crime management, if made on cloud, the information about the various crimes and types of crimes and the research done on them and the centralized repository can efficiently help to curb the crime.
- **Health and Land Records:** Health and land records are the areas which are numerous in numbers and consume lot of papers. If converted on cloud in e-Formats can enable efficient handling and more effective healthcare services.

PEOPLE CAN TRUST ON E-GOVERNANCE DUE TO CYBER SECURITY AND DATA SECURITY

ICT provide data security and cyber security where e-Governance can distribute secure data to the citizen. Technologies like cryptography, data security, security software are preventing user data from unauthorized person. ICT prevent information from hackers. Peoples can store their data online without worries about data lose. Personal information like person profile, bank information, and credit card information can be secure on e-Governance applications by giving password facility.

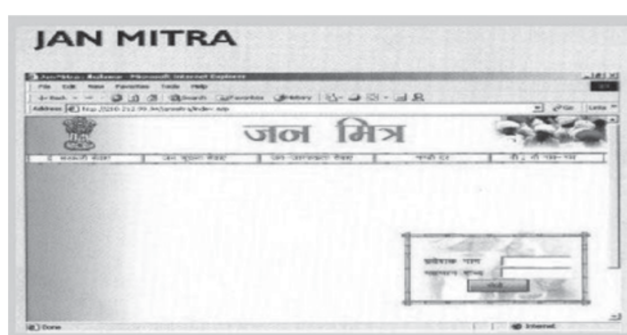
SOME CASE STUDIES OF E-GOVERNANCE IN INDIA

(I) Project: LokMitra

Description: The LokMitra project was formally dedicated to the people of Hamirpur in Himachal Pradesh as a pilot phase on the 8th of May 2001. The services offeredinclude information about vacancies,tenders, market rates, matrimonial services, village e-mail. An interesting feature is that citizens can use the IT enabled system as a grievance redress system. The LokMitra INTRANET set up in the district Hamirpur consists of two Pentium-III-based Servers (Under WindowsNT), with 4 Pentium-III-based Client systems and a Router, set up in a LAN using HUB, in a separate room at the Deputy Commissioner office, Hamirpur, named as LokMitraSoochnalaya. A total of 25 panchayats have been identified for setting up Citizen Information Centres. The project will be extended to cover all the districts of Himachal Pradesh.

www.himachal.nic.in/lokmitra.html

(II) A Case Study on M-PESA, Kenya



By far the most successful example of mobile money is M-Pesa. M-Pesa is a joint venture between Vodafone and Safaricom(the local mobile operator) with the backing of Citibank and Commercial Bank of Africa. **M-PESA** ('M' for mobile, 'PESA' is for money) is the product name of a mobile-phone based money transfer service whose initial concept and design was most assuredly developed by Sagentia, a technology and product company (later transferring to IBM in September 2009) for Vodafone. The development was initially sponsored by the UK-based Department for International Development (DFID) in 2003–2007. M-PESA is a mobile phone-based service for sending and storing money offered by Safaricom, Kenya's largest mobile service provider. Safaricom customers can register for M-PESA by visiting one of more than 10,000 merchants who act as "agents" for account opening, handling of deposits and withdrawals into the customer's virtual "wallet," and customer support. Customers can then use an application on their mobile phone to check their balance, send money to other people, pay bills, and purchase mobile phone airtime. Customer funds are held in a special trust account at the CommercialBank of Africa.

M-PESA allows users to make following basic types of transaction:

- Deposit and withdraw money.
- Transfers from person to person
- Transfers from individuals to businesses
- Pay Bills

CONCLUSION

From Above discussion we can conclude that E-Governance is necessary in country development which brings efficiency, effectiveness, transparency in government, citizen and business environment. In spite of poor infrastructure, poverty, illiteracy, language dominance and all the other reasons India has number of award winning e-governance projects like E-seva, Janmitra, Lokmitra, as mention above. Mobile governance is the current key area of e -Governance where maximum people use mobile applications. To improve services of e-Governance with lower

capital cloud computing will take greater part in future. As ICT provide cyber security for data there is no worry to government for develops humans in country. So today ICT provide greatest part to express services of e-Governance where world and people become digital.

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THE UNPRECEDENTED TRUTH IN INDIAN CORPORATE HISTORY: SATYAM UNVEILS THE MOST!!!

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ABSTRACT:

It's a case study regarding the manipulation was done in financial statements of Satyam to show good profitability of the firm. Here, authors analyzed the financial statements before and after the discloser of manipulation items by its chairman. The company awarded the Peacock Global Award for the best practices and good corporate governance , but actually there were many manipulations in the financial statements; and that has made a big question mark on corporate governance of the company in all over the world.

Keywords: Accounting Scandals, Corporate Deviances, Corruption, Whistleblower , Malified practices, etc.

INTRODUCTION:

A very well performing IT company, suddenly came up with the news of fraud by its chairman Mr. Ramalinga Raju. In September 2008, Satyam Computer Services, the fourth-largest Indian IT company, was in the news when it was conferred the Peacock Global Award for Excellence in Corporate Governance by the World Council for Corporate Governance. And in December 2008; the company was once again in the news – not once but many times – for all the wrong reasons.

The Satyam's Corporate Governance report said, "Corporate Governance assumes a great deal of importance in the business life of Satyam ("the Company"). The driving forces of Corporate Governance at Satyam are its core values – Associate Delight, Investor Delight, Customer Delight and the Pursuit of Excellence. The Company's goal is to find creative and productive ways of delighting its stakeholders, i.e., Investors, Customers, Associates and Society, thereby fulfilling the role of a responsible corporate representative committed to best practices." Actually, it has made mockery of corporate governance principles.

The reasons are:

1. The decision was not announced taking into confidence all the stakeholders of the company.
2. The two Maytas companies are being the companies run by the family members of Mr. Ramalinga Raju only
3. The deal would have made the cash reach company Satyam into a debt ridden company as its entire holding of $1.6 billion cash would have gone to Maytas Properties (where promoters were 100 percent holding) and in Maytas Infrastructures.

4. Mr. Ramalinga Raju was holding only 8.5 per cent stake of Satyam computer so how can he take decisions of transferring its cash to a company owned by his son without asking the rest of the 91.5 per cent stake holders?
5. In the name of diversification from software to entirely new area of reality why has a relatively new company Maytas been chosen when several other big players are still there?
6. Is it really time to go for diversification in a sector where the economic slowdown is at its severest form?

Fairness, Transparency and accountability are questionable in Satyam case. Itwas not fair to take decision for Maytas deal without asking to its share holders. Company was n ot transparent to its share holders and trying to convert the company which is sitting on cash to debt ridden. What about accountability when the Company neglected the interest of stake holders who account for 91.5 per cent.

BACKGROUND

Satyam Computer Services Limitedwas a leading global consulting and IT services company spanning about 65 countries. It was established by Mr. B. Ramalinga Raju and B. Rama Raju on 24 June 1987.

In 1991 it was recognized as a public limited company and got its first Fortune 500 client, Deere and Co. The 90s were a time of growth for the company. It started Satyam Renaissance, Satyam Infoway, Satyam Spark Solutions and Satyam Enterprise Solutions and Infoway became the first Indian internet company to be listed on the NASDAQ.

The new millennium saw Satyam acquire lot ofbusinesses and expand. Satyam became the first company in the world to start a program called Customer-Oriented Global Organization training in theMay 2000. The company signed contracts with various international players like Microsoft, Emirates, TRW, i2 Technologies and Ford. On the way the company had various achievements like becoming the first ISO 9001:2001 company in the world, certified by BVQI, winning the Frost & Sullivan Award for Competitive Strategy in ASP in 2001etc.

In 2001, Satyam opened offices in Singapore, Dubai and Sydney. Throughout the starting years of the new century Satyam expanded its business to many countries and signed MOU with many companies.

In 2005 it acquired a 100% stake in Singapore based Knowledge Dynamix and 75% stake in London based Citisoft Plc. Satyam was a company on the fast track to success and has acquired itself a name for consulting in the area of strategy right through to implementing IT solutions for customers.

The company crossed US $ 2-billion in terms of revenue in 2008. It became the first company to launch a secondary listing on Euronext Amsterdam under NYSE Euronext's new "Fast Path" process for cross listings in New York and Europe. Again Satyam share was one of Ketan Parekh's, or K10 stocks. If we look at the satyam's financial performance since 2004 (see Table 1), it is remarkable. Annual growth rate for sales is of around 33.51% and for Profit after tax is 34.65%. Profitability ratios are also mounting up to 2006 then declining but still have 20.74% profit margin in sales which is more compare to its competitor & market leader Wipro (16.44%). Company is lessreliant on debt and that leads to less financial burden. Satyam has very good liquidity position but current ratio shows improper management of working capital.

Table 1: Satyam Financials (2003-2008)

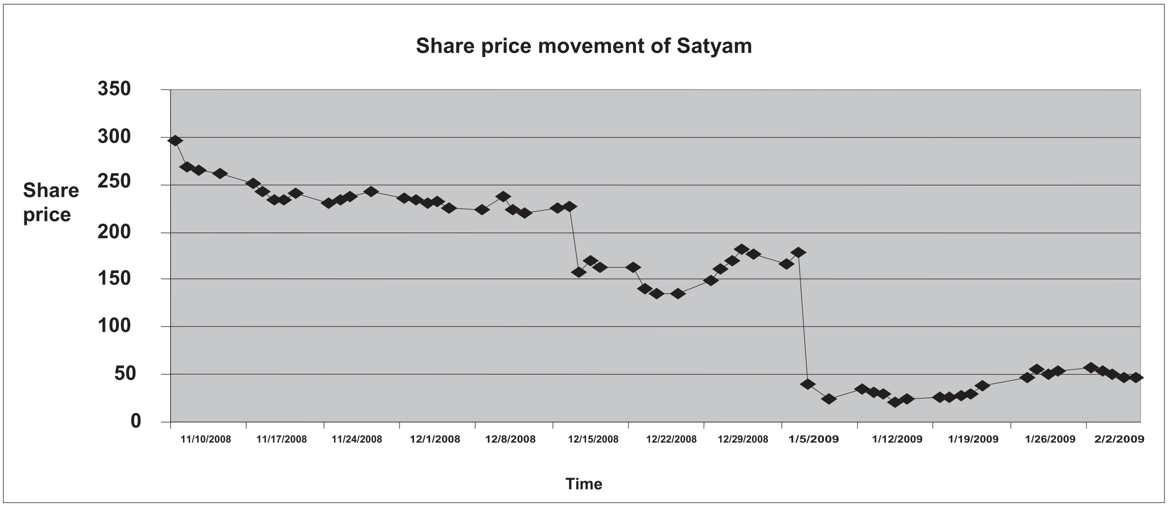
Particulars	2003-04	2004-05	2005-06	2006-07	2007-08
Sales (Rs in Crore)	2560.49	3464.32	4634.31	6228.47	8137.28
PBIDT (Operating Profit)(Rs in Crore)	632.57	867	1445.89	1556.63	1918.25
PAT (Profit After tax)(Rs in Crore)	513.39	750.26	1239.75	1404.74	1687.89
PAT/Net worth	19.89%	23.32%	28.60%	24.26%	22.94%
PAT/Sales	20.05%	21.66%	26.75%	22.55%	20.74%
D/E Ratio	0.0028	0.0031	0.0029	0.0024	0.0032
PAT/Capital employed	19.84%	23.25%	28.51%	24.21%	22.87%
Current Ratio	7.33	7.25	6.32	5.83	5.11

Source: CMIE, Prowess

Up to September 2008, Company was performing well. But the fiasco began with the decision of Satyam to take over Maytas Infra Ltd and Maytas Properties Ltd, both promoted by Chairman Mr. Ramalinga Raju's sons. Company said this is the right time for unrelated diversification. But Investors were not ready for this. The decision is even more dubious when the addition of a main line of business (with which there is no synergy or indeed any connection whatsoever) is sought to be achieved by a merger with firms controlled by the same group. There was not any transparency on how the relative valuations were done, because this information too has not been given to shareholders. Investors were emphatic in their opposition to the company's move to acquire Maytas Infra and Maytas Properties. Despite an elaborate explanation by the Satyam's management, the investors' community remained unconvinced. They demanded that the company disclose the reasons for not returning the money back to shareholders through a buyback offer or a bonus. It passes understanding as to how a promoter group can hope to change a company's principal business without going to the general body of shareholders for their approval, especially when the promoters hold no more than 8.6 per cent of the company.

And the price of Satyam share started to fall. Satyam reversed a decision taken to spend $1.6 billion (roughly Rs 8,000 crore) to acquire two firms owned by the promoter son after strong shareholder protests. In a bid to salvage the damage to its reputation, Satyam Computer Services was thinking of a higher dividend payout to investors or Share buyback. Satyam had around Rs 5,500 crore in cash and equivalents. But it had never given a special dividend till date. Mr. Ramalinga Raju again asked support from employees. Share price of Satyam during that time was waning.

Figure - 1 Share price movement of Satyam



Source: www.equitymaster.com

In December end, many directors quit and promoters reduced their stakes from Satyam. Suddenly on 7th January 2009, Mr. Ramalinga Raju sends the resignation letter with details of manipulated data to Board of Directors, SEBI and stock exchanges. On the Bombay Stock Exchange, Satyam shares fell 77.69% to Rs 39.95 after this declaration (See Figure 1). Mr. Ramalinga Raju declared the followings:

Table 2: Mr. Ramalinga Raju's Declaration

1.	The Balance Sheet carries as of September 30, 2008, a) Inflated (non- existent) cash and bank balances of Rs 5,040 crore (as against Rs 5,361 crore reflected in the books); b) An accrued interest of Rs 376 crore, which is non-existent c) An understated liability of Rs 1,230 crore on account of funds arranged by me; d) An overstated debtors' position of Rs 490 crore (as against Rs 2,651 reflected in the books)
2.	For the September quarter(Q2) we reported a revenue of Rs 2,700 crore and an operating margin of Rs 649 crore(24 per cent of revenue) as against the actual revenues of Rs 2,112 crore and an actual operating margin of Rs 61 crore (3 per cent of revenues). This has resulted in artificial cash and bank balances going up by Rs 588 crore in Q2 alone. The gap in the balance sheet has arisen purely on account of inflated profits over several years (limited only to Satyam standalone, books of subsidiaries reflecting true performance). What started as a marginal gap between actual operating profit and the one reflected in the books of accounts continued to grow over the years. It has attained unmanageable proportions as the size of the company operations grew significantly (annualized revenue run rate of Rs 11,276 crore in the September quarter, 2008, and official reserves of Rs 8,392 crore).
Source: CMIE	

Now everyone was perplexed that, how it was possible for the Satyam computer with 53,000 people, ranked 185 among Fortune 500 companies and Customers & operations in 66 countries. Satyam's outstanding financial performance was an outcome of many manipulations. If someone compares financial statements before and after fraud declaration (See Table – 3, 4, 5 & 6), Satyam is making loss instead of making profit of Rs. 513 Cr. and Company's performance was worst during that period. Company was showing good liquidity position, but actually the liquidity position may not good (see current ratio after adjustment). Company showing outstanding profitability but actually it's a company with all negative profitability ratios (See Table-6). Satyam is a beautiful example of data manipulation and corporate governance failure.

Table 3 Condensed balance sheet as on 30-09-2008 (As Reported)

Liabilities	**Rs (in crore)**	**Assets**	**Rs (in crore)**
Share capital	134.7	Gross block 2173.91	
Share application money, pending allotment	2.75	Less: Depreciation 1158.13	
Reserves and Surplus	8392.23	Net block	1015.78
Secured loans	30.49	capital work in progress	365.32
Unsecured loans	234.8	Deffered tax assets	118.75
Current Liabilities	1669.26	Investments	618.64
Provisions	496.79	Sundry Debtors	2651.36
		Cash and Bank Balances	5312.62
		Loans and Advances	502.22
		Other current assets (Interest Accrued)	376.34
Total	10961.02		10961.03

Source: CMIE, Prowess

Table 4 Condensed balance sheet as on 30-09-2008 (After disclosure)

Liabilities	**Rs (in crore)**	**Assets**	**Rs (in crore)**
Share capital	134.7	Gross block 2173.91	
Share application money, pending allotment	2.75	Less: Depreciation 1158.13	
Reserves and Surplus (8392.23-5040-376.34-1230-490)	1255.89	Net block	1015.78
Secured loans	30.49	capital work in progress	365.32
Unsecured loans	234.8	Differed tax assets	118.75
Current Liabilities	1669.26	Investments	618.64
Provisions (496.79 + 1230)	1726.79	Sundry Debtors (2651.36-490)	2161.36
		Cash and Bank Balances (5312.62-5040)	272.62

		Loans and Advances	502.22
		Other current assets (Interest Accrued) (376.34-376.34)	0
Total	**5054.68**	**Total**	**5054.69**

Table 5 Condensed Profit & Loss Account information (Rs in crore)

Financial information (As reported on 30-09-2008)		**Actual information (After adjustment of disclosure items)**
Net sales	2700.52	2112
Personnel expenses	1622.89	1622.89
Operating and Administration expenses	428.36	428.36
PBDIT (Operating profit)	**649.27**	**60.75**
Less Interest and Depreciation	66.88	66.88
Profit before tax	582.39	-6.13
Less Tax Liability	68.43	68.43
PAT/Loss	**513.96**	**-74.56**

Source: CMIE, Prowess

Table 6 Ratio analysis

Particulars	**(As reported on 30-09-2008)**	**(After Adjustments as on 30-09-2008)**
Current Ratio	4.08	0.86
PAT/Net worth	6.03%	-5.35%
PAT/Sales	19.03%	-3.53%
PAT/Capital employed	5.84%	-4.50%
D/E Ratio	0.03	0.19

Table 3 shows condensed balance sheet as on 30 Sept. 2008 as per company's second quarter results before three months of the disclosure of the manipulated items by the chairman. And Table 4 shows the condensed balance sheet information after adjustments of disclosure. Reserve and Surplus will decline by the fictitious cash/ bank balance of Rs 5040 crore, Debtors Rs 490 crore, accrued interest Rs 376.34 crore and understated liability of Rs 1230 crore. Similarly mistaken figure from cash, debtors and interest have been reduced. So, actual reserve of the company after adjustment stood to Rs 1256.2 crore as on 30 September 2008; this reduced net worth of the company to Rs 1390.9 crore from Rs 8526.9 crore.

The understated liability of Rs 1230 crore has been added to provisions in the condensed balance sheet. As Mr. Raju told that net amount of Rs 1230 crore was not reflected in the books of Satyam.

As per Table 5, in second quarter, the company reported revenue of Rs 2700 crore and PBDIT 649.27 crore as against the actual revenues of Rs 2112 crore and PBDIT of Rs 60.75 crore. In this quarter, the companyhas shown its PBDIT 10 times more than its actual value. The company shows profit after tax of Rs 513.96 crore as against the actual loss of Rs 74.56 crore (If tax liability assumed as 0, then actual loss will be 6.13 crore). Some profitability ratios (before and after adjustment on 30th September) are also calculated in Table 6.

Now, the financial picture of Satyam computer is very clear from the Table – 3, 4, 5 and 6. Mr. Ramalinga Raju wanted to convert anddemonstrate all the cash profit and Reserve indirectly on the name of diversification. Company has shown Rs. 8393.23 Crore as Reserves and surplus in its Balance sheet as on 30th September, 2008 for the deal of two Maytas Companies for Rs.7680 crore, but actually it was of only Rs1255.89 crore after adjustments. That may lead to liquidity crisis in future. And that is proved by the current ratio of the company after the disclosure which is only 0.89 times instead of 4.08 times. Even return on capital employed, profit ratio are also negative.

CONCLUSION:

Satyam case is the unprecedented truth of Indian corporate history. Satyam example forces regulatory authorities to take strict actions for Corporate Governance. It leaves big question mark on corporate governance of the company. This may blemish the image of Indian corporate in the world. Finally the company acquired by the Tech Mahindra Ltd; but it is the lesson of other companies that how one can do manipulation in financial statementsand have an effect on seriously the image of the company.

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STUDY ON RELATIONSHIP BETWEEN CORPORATE GOVERNANACE AND CORPORATE SOCIAL RESPONSIBILITY IN MANUFACTURING INDUSTRY WITHIN AREA OF VADODARA DISTRICT.

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ABSTARCT

Every company makes a significant contribution to society. At the most basic level, businesses offer goods and services people want. In the process, they provide capital, jobs, skills, ideas,and tax. A popular explanation of the term CSR is the continuing commitment by businesses to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as well as of the local community and society at large. With the rapid increase in consciousness of the need for the triple bottom line and spurred on by the enthusiasm of the CEOs of several major companies. The concept of CSR has grown into a stakeholder-based model of empowerment and participation encompassing a wide range of community and environmental activities CSR is titled to aid an organization's mission as well as a guide to what the company stands for and will uphold to its consumers. Companies have begun to adopt a more holistic approach to corporate philanthropy. Cash contributions remain significant, but companies are increasing other types of contributions that draw on more of the company's resources including corporate matches, product donations, capacity sharing, and asset leveraging. The aim of the research is to study interrelationship between corporate governance and corporate social responsibility, also to know the current activities of manufacturing industries in terms of service to society. The research methodology thus adopted will be that of qualitative analysis of primary as well as secondary data.

Key words: CSR, Stakeholder Approach, Corporate Philanthropy, Corporate Governance, Manufacturing Industry.

INTRODUCTION

*"**Corporate Governance*** is concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society However, that there is no single model of corporate governance with systems varying by country, sector and even in the same corporation over time. Among the most prominent systems are the US and UK models, which focus on dispersed controls; and the German and Japanese models which reflect a more concentrated ownership structure.

Among the most prominent systems are the US and UK models, which focus on dispersed controls; and the German and Japanese models which reflect a more concentrated ownership structure.

Corporate social responsibility is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. Consequently, behaving socially responsibly will increase the human development of stakeholders both within and outside the corporation. * edited

Relationship between Corporate governance and CSR activities

There is some recent evidence to suggest that organizations are generally more inclined today to broaden the basis of their performance evaluation from a short-term financial focus to include long-term social, environmental, and economic impacts and value added (Hardjono and van Marrewijk, 2001). This is where the concepts of CG and corporate social responsibility (CSR) enter the picture. Under the umbrella of CG, companies are encouraged to promote ethics, fairness, transparency, and accountability in all their dealings. They are expected to continue generating profits while maintaining the highest standards of governance internally. A firm's decisions should also be aligned with the interests of different players within and outside the company (Freeman, 1984). Hence, businesses have to also keep their activities attuned to society's ethical, legal, and communal aspirations. This falls in the realm of CSR, which has attracted increasing attention in recent years in relation to how companies approach their interactions with their various stakeholders— from providing quality products and services, to undertaking charitable activities. Much of the previous literature has researched and discussed CG and CSR independently, as being unrelated accountability models, whose guidelines, reporting standards, and oversight mechanisms have evolved separately (Bhimani and Soonawalla, 2005). However, we feel that CG and CSR are strongly and intricately connected, and that previous literature has fallen short in capturing the nature and essence of this relationship. As Bhimani and Soonawalla (2005) put it, CG and CSR are two sides of the same coin. This paper will explore this relationship in depth; first, theoretically, by reviewing the literature and highlighting how this CG–CSR relationship has been posited.*Then through a qualitative study in the manufacturing industry in Vadodara region, this paper will also investigate managerial interpretation and practical application of CG and CSR, their understanding of the nature of this relationship, as well as their efforts at pragmatic integration of each of these two paradigms in their daily operations.In conclusion, the notion of corporate governance fits well into current concerns of management structure at the top of corporations and is becoming increasingly, but hardly encompasses the concerns of corporate social responsibility notions. On the other hand, notions of corporate social responsibility have not advanced as far as the corporate governance school with its agreed set of principles.

LITERATURE REVIEW

Corporate Governance Literature

This paper will focus on an important— and in no way simplistic— definition of CG as "the system by which companies are directed and controlled" (Cadbury, 2000: 8). The control aspect of CG encompasses the notions of compliance, accountability, and transparency (MacMillan, Money, Downing and Hillenbrad, 2004), and how managers exert their functions through compliance with the existing laws and regulations and codes of conduct (Cadbury, 2000). The importance of CG lies in its quest at crafting/continuously refining the laws, regulations, and contracts that govern companies' operations, and ensuring that shareholder rights are safeguarded, stakeholder and manager interests are reconciled, and that a transparent environment is maintained wherein each party is able to assume its responsibilities and contribute to the corporation's growth and value creation. A narrow view of CG portrays it as an enforced system of laws and of financial accounting, where socioenvironmental considerations are accorded a low priority (Saravanamuthu, 2004). There is, however, a broader CG conception, emphasizing every business' responsibilities toward the different stakeholders that provide it with the necessary resources for its survival, competitiveness, and success (MacMillan *et al.*, 2004). To be of value in global capital markets, disclosedinformation should be clear, consistent, and comparable(OECD, 1999). Moreover, transparency and disclosure ofinformation between managers and employees are essentialto earn employee trust and commitment. These factors ensurean accurate and timely reporting of activities, thus providing the necessary underpinning that would facilitate the applicationof sound governance mechanisms (Cadbury, 2000).While the above focuses primarily on internal governancemechanisms and principles, a holistic view of CG needs toalso account of external governance mechanisms, includingthe takeover market and the legal system (Denis and McConnell, 2003). Admitting that the legal system is a universallyimportant CG mechanism, providing for the protectionof investor rights and enforcement of rules (La Porta, Lopez de Silanes, Shleifer and Vishny, 1998), the market forcorporate control becomes salient when there is enoughincentive for outside parties to seek control of the firm or, inother words, when internal control mechanisms fail to alarge degree (Denis and McConnell, 2003). Given thedynamic interrelationships among various CG mechanisms,external aspects invariably deserve consideration to providea contextualized understanding of firm-specific internal CGdimensions.In summary, CG thus generally revolves around a set ofuniversal attributes, including ensuring accountability to shareholders and other stakeholders (Keasy and Wright,1997), creating mechanisms to control managerial behavior(Tricker, 1994), ensuring that companies are run according tothe laws and answerable to all stakeholders (Dunlop, 1998),ensuring that reporting systems are structured in such a waythat good governance is facilitated (Kendall, 1999), craftingan effective leadership/strategic management process thatincorporates stakeholder value as well as shareholder value(Tricker, 1994; Kendall, 1999), and enhancing accountabilityand corporate performance. The basic principles of CG, originally adopted by the 30 member countriesof the OECD in 1999, have become a reference tool forcountries all over the world (Jesover and Kirkpatrick, 2005),providing an international benchmark for CG, and specificguidance for policy makers, regulators, and market participantsin improving the legal, institutional, and regulatoryframework that underpins CG. These principles have exhibiteda good level of adaptability in varying legal, economic,and cultural contexts, and they have served as the basis forvarious reform initiatives by governments and the privatesector in different countries (Jesover and Kirkpatrick, 2005).

BASIC PRINCIPLE OF CORPORATE GOVERNANCE

1. Protection of Shareholders' right
2. Equitable treatment of shareholders
3. Accurate disclosure of information
4. Diligent exercise of board responsibilities

CORPORATE SOCIAL RESPONSIBILITY LITERATURE

CSR on the other hand is a concept that has attracted worldwideattention and acquired a new resonance in the globaleconomy (Jamali, 2006).The World BusinessCouncil for Sustainable Development (WBCSD) definesCSR as the commitment of business to contribute to sustainableeconomic development, working with employees, theirfamilies and the local communities (WBCSD, 2001). Moregenerally, CSR is a set of policies, practices, and programsthat are integrated throughout business operations anddecision- making processes, and intended to ensure the company maximizes the positive impacts of its operationson society (Business for Social Responsibility, 2003).The most common conceptualizations of CSR are those ofCarroll (1979) and Lantos (2001). Carroll (1979; 1991) differentiatedbetween four types of CSR, namely, economic (jobs, wages, services), legal(legal compliance and playing by therules of the game), ethical (being moral and doingwhat is just,right, and fair) and discretionary (optional philanthropic contributions),while Lantos (2001) collapsed these categoriesinto three: ethical, altruistic, and strategic. The company strives to identify activities anddeeds that are believed to be good for business as well as forsociety (Quester and Thompson, 2001).Many scholars also conceive of CSR as encompassing twodimensions: internal and external. On the internal level,companies revise their in-house priorities and accord duediligence to their responsibility to internal stakeholders,addressing issues relating to skills and education, workplacesafety, working conditions, human rights, equity considerations,equal opportunity, health and safety, and labor rights(Jones, Comfort and Hillier, 2005). With respect to theexternal dimension of CSR– which admittedly receivesmore attention in the literature (Deakin and Hobbs, 2007) –priority shifts to the need for corporations to assume theirduties as citizens, and accord due diligence to their external– economic and social – stakeholders and the naturalenvironment (Munilla and Miles, 2005).

FOUR KEY PILLARS OF CORPORATE SOCIAL RESPONSIBILITY

Figure 1

LINKS BETWEEN CG AND CSR

In light of the overview presented above, there is a discernableoverlap between CG and CSR. More specifically, whenconsidering the broader conception of CG, it is clear thatgood governance entails responsibility and due regard to thewishes of all key stakeholders (Kendall, 1999) and ensuringcompanies are answerable to all stakeholders (Dunlop,1998). There is thus a clear overlap between this conceptionof CG and the stakeholder conception of CSR that considers business as responsible vis-à vis a complex web of interrelatedstakeholders that sustain and add value to the firm (Freeman, 1984; Post, Preston and Sachs, 2002; Jamali, 2008).Conversely, various CSR scholars emphasize the need touphold the highest standards of governance internally, particularlyin discussions of the internal dimension of CSR. Both CG and CSR call oncompanies to assume their fiduciary and moral responsibilitiestoward stakeholders. Both conceptsthus draw vigor from the same sources, namely transparency,accountability, and honesty (Van den Berghe andLouche, 2005). Marsiglia and Falautano (2005) similarlysuggest that good CG and CSR initiatives are graduallyadvancing from a philanthropic variant of corporate capitalismto authentic strategies intended to regain the trust ofclients and society at large. Both disciplines are also perceived to confer importantlong-lasting benefits and to ensure the endurance of thebusiness.

TABLE 1

Preliminary Links between Corporate Governance (CG) and Corporate Social Responsibility (CSR)

Corporate governance	CSR
Broader CG conception: Entails due regard to allstakeholders and ensuring that firms are answerable toall their key stakeholders (Dunlop, 1998; Kendall,1999)	Stakeholder approach to CSR: Corporations are the cruxof a complex web of stakeholder relationships andhave an obligation or responsibility to these differentstakeholders (Freeman, 1984)
Narrow CG conception: Ensuring accountability,compliance, and transparency (Keasy and Wright,1997; MacMillan *et al.*, 2004)	Internal dimension of CSR: Corporations should accorddue diligence to their responsibility to internalstakeholders addressing issues relating to skills andeducation, workplace safety, working conditions,human rights, equity/equal opportunity, and laborrights (Grosser and Moon, 2005; Jones *et al.*, 2005)

THREE RELATIONAL MODELS EXAMINED

We present here a reviewof several models which have posited a relationshipbetween CG and CSR, namely: (1) CG as a pillar for CSR, (2) CSR as an attribute of CG, and (3) CG and CSR as coexistingcomponents of the same continuum.

Model # 1: CG as a Pillar of CSR: This depiction of CG as apillar of CSR requires an effective CG system to be in placeas a foundation for solid and integrated CSR activities. Thisis clearly illustrated in the postulation of Hancock (2005)who delineates four pillars for CSR, with strategic governance(entailing traditional CG concerns coupled with strategicmanagement capability) highlighted as one of thesecore pillars. As depicted in figure 1, CG as one of the main pillars of CSR alongwith *human capital*, *stakeholder capital*, and the *environment*.Hancock (2005) argues that investor and senior managementattention should be focused on these four core pillars,*strategic governance*, *human capital*, *stakeholder capital*, andthe *environment*, which together help account for about80 per cent of a company's true value and future value creatingcapacity. In other words, consistent with a resource basedperspective (Barney, 2007; Wright, Dun ford and Snell,2007), the model argues that value creation, even in relationto CSR, is contingent on leveraging human, stakeholder, andenvironmental capital through (or coupled with) good strategic governance. CG is thus considered according to thismodel as one of CSR's basic building blocks.

Model # 2: CSR as a Dimension of CG. Another modelencountered in the literature is the one presented by Ho(2005), who considers CSR as an attribute or dimension of CG, thus widening the scopeof CG, and incorporating nonfinancialrisks int o the risk mitigation dimension of CGactivities. As illustrated in Figure 2, this conception of CGincludes conventional dimensions or attributes (e.g., boardstructure, strategic leadership, stewardship, social responsibilities,and capital structure and market relations), as wellas CSR. This is consistent with the writings of other authors (e.g., Kendall, 1999; OECD, 1999), who also consider CSR asan integral part of CG. Ho (2005) proposes through this framework to gaugeCG more holistically by considering a range of relevantattributes, including CSR. Her work builds in this respect onthe work of Kendall (1999) who considers that good CG also entails ensuring that companies are run in a socially responsibleway and that there should be a clearly ethical basis tothe business complying with the accepted norms of thesociety inwhich it is operating. In other words, according tothis model, being responsible externally to the society at large and internally to employees should be embedded inCG formulations and structures.

FIGURE 2
Corporate Social Responsibility Embedded in Corporate Governance (Adapted from Ho, 2005)

Model # 3: CG and CSR as Part of a Continuum. Bhimaniand Soonawalla (2005) portray CG and CSR as complementaryconstituents of the same corporate accountabilitycontinuum. They consider that poor CG and misleadingfinancial statements are one side of the corporate coin – the other side being poor CSR (Bhimani and Soonawalla, 2005).Their corporate responsibilities continuum (Figure 3) isintended as an integrative framework, designed to reconcileconformance and performance reporting issues that shouldbe articulated in a comprehensively integrated mannerrather than disparately (Bhimani and Soonawalla, 2005). Thecontinuum reflects varying degrees of compliance with laws and legally enforceable standards, with stress placed on corporateconformance on the left end of the continuum andattention shifting to corporate performance on the right end,where codes/standards are extremely difficult to apply, andoversight mechanisms are much less evident.Implied in this model is the idea that CG has been thepredominant focus of attention in research and practice, but this is starting to be counterbalanced by some interest inCSR and CSR reporting, which, while still not mandatory, is

Portrayed as increasingly desired (Bhimani and Soonawalla,2005). The model presented here is also a good reminderof the nuances increasingly noted in the literature (e.g.,Marsiglia and Falautano, 2005; Clarke, 2007) between legallybinding requirements increasingly embodied in governance mechanisms requiring compliance and conformance, andself-regulatory stakeholder and CSR initiatives, which areevidence of voluntary corporate social performance. It isevident that even today, CG and compliance with continuouslyevolving legal requirements continue to draw moreattention than voluntary CSR performance. Nevertheless,the continuum serves the purpose of delineating the basicbuilding blocks of corporate accountability, with CG andcompliance on the left-hand side constituting the basic cornerstoneand the remaining items being gradually integratedin an attempt to strengthen overall accountability on a globalbasis.

FIGURE 3

The Corporate Responsibilities Continuum (Bhimani and Soonawalla, 2005)

RESEARCH METHODOLOGY

4.1 **Title of the study** *:* "Study on relationship between corporate governance and corporate social responsibility in manufacturing industry within area of Vadodara district."

4.2 Objective of the Study: The main objective of the study is to explore the interrelationship between corporate Governance (CG) and Corporate Social Responsibility (CSR) both theoretically and empirically.

4.3 Type of research: The research undertaken is interpretive in nature, capitalizing on in-depth interviews with top managers of five corporations operating in vadodara to explore their interpretations in relation to CG, CSR, and their perceptions of the CG–CSR link. Interpretive research is done through collectingprimary as well as secondary data.

List of Organization included in the study

Company Name	Line of Business	Geographic Reach	No. of Employees	Managers Interviewed
Jyoti Ltd.	Manufacturing of electrical and hydraulic engineering equipment	Vadodara	Up to 500	Marketing Executive
RISHI FIBC SOLUTIONS PVT. LTD	Manufacturer of jumbo Bag	Vadodara	Up to 250	Sr. HR Executive
Transpek-Silox	Inorganic Chemical manufacture	Vadodara	Up to 1000	Asst. Manager – IT
GNFC	Fertilizer, Chemicals and Information technology	Vadodara	Up to 3000	Sr. Research Technician
Jubilant Life Science ltd.	Integrated Pharmaceutical and Life Sciences Solution	Vadodara	Up to 1000	Business Excellence coordinator

Initial website screening provided a preliminary idea of the scope and sophistication of both CG and CSR in the context of a sample of firms in vadodara. Upon securing preliminary approval from five local companies, a cover letter explaining the nature and scope of the research, a copy of the interview guide, and an appointment scheduled within two weeks to conduct the interview was forwarded to managers. The interviews consumed on average two hours, were conducted primarily in English. The research made use of semi-structured interviews whereby an interview guide comprising three sections was developed, based on the literature review presented in the previous sections, addressing CG practices, CSR practices, in addition to CG–CSR relationships.

Topic Addressed in Interviews:

1. **Corporate Governances**
    a. Ownership structure
    b. Board of director committees
    c. Executive compensation schemes
    d. Motives of good CG practice
2. **Corporate Social Responsibility**
    a. Conception of CSR
    b. Formality of CSR Programme
    c. CSR Values
    d. Measurement of CSR
    e. Anticipated benefits of CSR
3. **Conception of CG and CSR Relationship**
    a. CG pillar of CSR
    b. CSR dimension of CG
    c. CG-CSR part of continuum

RESEARCH FINDINGS

1. Assessment of CG Practice: We obtained interesting feedback about current CG practices, generally indicating awareness of and engagement with CG issues and what they entail. All interviewees discussed various aspects of CG that are commonly integrated in the practice of their respective firms, with the most frequently discussed aspects revolving around compliance, transparency, and disclosure. The majority of the firms had codes of conduct in place (Four out of Five), and all stressed on the importance of required disclosure and the regular review of internal controls (Five out of Five).The reported strength in current CG practices revolved around the strategic guidance exercised by boards, and their regular oversight of internal control mechanisms. All managers mentioned the regular use of audit committees to oversee the company's disclosure practices. Several managers also mentioned in confidence problems arising from concentrated ownership, weak shareholder protection, insufficient disclosure, or a combination of these factors. All the interviewees generally shared the view that the emphasis in their CG practice is on ensuring compliance with laws and regulations, establishing codes of conduct, and the oversight of internal control systems for financial reporting. Generally, the control facet of CG was certainly more emphasized in the discussions held than the strategic leadership component.

AN OVERVIEW OF REPORTED CORPORATE GOVERNANCE PRACTICE

	Name of the company				
Indicators	**Jyoti Ltd.**	**RISHI FIBC SOLUTIONS PVT. LTD**	**Transpek-Silox**	**GNFC**	**Jubilant Life Science ltd.**
Ownership Structure	Shareholders	Private family owned	Shareholders	Joint Sector	Shareholders
Chairman of board of directors and CEO	Yes	Yes	Yes	Yes	Yes
Board of directors committees	Yes	Yes	Yes	Yes	Yes
Independent Directors	No	NO	No	No	No
Code of Conduct	Yes	No	Yes	Yes	Yes
Required Disclosure	Yes	Yes	Yes	Yes	Yes
Review of internal control	Yes	Yes	Yes	Yes	Yes
Motives for good CG Practice	ISO Certification	ISO Certification	Follow Trends and Self improvement	ISO Certification	ISO Certification

2. Assessment of CSR Practice We also obtained interesting feedback regarding the current CSR practices of our sampled firms. When asked about the type of CSR performed, all managers consistently referred to philanthropic activities and programs revolving mainly around philanthropic donations and ranging from the sponsoring of scholarships and events to donations/programs involving the orphans or handicapped, to volunteering and promoting good working conditions. The majority of local companies (four out of five) had no formal CSR program in place and no specific CSR values, with their philanthropic CSR activity rooted in most cases in principles of legitimacy and generalized community commitments.In relation to the distinction between internal and external CSR, the external dimension of CSR was clearly emphasized by all the managers interviewed, with all the managers referring to customers as the most important external stakeholder, followed by the community stakeholder. The internal dimension of CSR and relevant issues there pertaining to health, safety, training, and working conditions were in turn mentioned by four of the managers interviewed , and employees were classified as the second most important stakeholder in the majority of cases (Four of five).

Indicators	**Name of the company**				
	Jyoti Ltd.	**Rishi Fibc Solution**	**Transpek-Silox**	**GSFC**	**Jubilant Life Science ltd.**
CSR Activities	Sponsorships, School and colleges build up, Donations, Partnership with NGO's	None on corporate level	Women empowerment, Donations, Scholarships	Donations, Scholarships, village development, Environment protection	Women empowerment, Donations, Scholarships, Partnership with NGO's
Formal CSR Program	No	No	Yes	No	No
CSR Values	Environmental Protection, Staff well being, Community development	None	Staff Well being, Community well being	Environmental Protection, Staff well being	Community Well being, Environmental Protection
Anticipated Benefits of CSR	Good relation with affiliates and suppliers	No Benefits	Staff Well being, Community well being	Employees Satisfaction, Innovation,	Differentiation from competition, Motivated Workers
Most Important Stakeholders	Customers, Employees, Community, Environment	Customers	Customers, Employees	Customers, Employees, Community	Customers, Employees, Community
Measurement of CSR	No	No	No	No	No

3.Assessment of CG and CSR Link We obtained in turn varied reflections on the nature of the CG–CSR relationship from managers, based on their actual practice and interpretation. Two of the respondents argued that CG and CSR are two facets (internal and external) of commitment to sound business conduct and that they should be integrated into the same spectrum or continuum of corporate disclosure. The argument advanced by these managers is that CG and CSR are indeed complementary and mutually reinforcing in the sense that an effective CG structure protects shareholders from unlawful action while an effective CSR program prevents various actions which may be legal but inappropriate in relation to their impact or implications for specific constituencies/stakeholders. Hence, we could detect some support for the Bhimani and Soonawalla's (2005) model examined earlier (model # 3). Only one of the local managers/respondents interviewed considered CSR as a dimension or attribute of CG as per model 2. Based on our excursion in this paper, and accumulated reporting evidence, it is clear that most firms still conceive of CSR as optional and discretionary rather than as an integrated/mandatory attribute of CG. We have thus encountered limited support for this conception in our sample, and we expect this to be more widely shared.

Indicators	**Name of the company**				
	Jyoti Ltd.	**RISHI FIBC SOLUTIONS PVT. LTD**	**Transpek-Silox**	**GSFC**	**Jubilant Life Science ltd.**
CG pillar of CSR	-	-	-	Yes	Yes
CSR as a dimension of CG	-	Yes	-	-	-
CG-CSR continuum	Yes	-	Yes	-	-
Model embraced	3	2	3	1	1

CONCLUSION

For many years, the approach of companies on the role of business in society could be summarized with the following words of Milton Friedman: "there is one and only one social responsibility of business to increase its profits" and "Business of business is business". However, it may be worthwhile to mention that the world has moved far ahead from the aforesaid words of Milton Friedman, now a day's Corporate Governance and CSR are integral part of any company. It may be noted that, at present, the provisions of Corporate Governance are mandatory and recommendatory under various provisions discussed hereinabove. However, there is no concrete system for CSR, it is purely optional. Furthermore, since Corporate Governance and CSR is interrelated and complementary to each other, by incorporating CSR provisions within Corporate Governance framework would be beneficial for IndiaIn researching the nature of the CG–CSR relationship, this paper has surveyed the literature and explored the perceptions and interpretations ofCGand CSR in Vadodara. The first conclusion that can be safely drawn is that CG and CSR should not be considered and sustained independently.

Irrespective of the type of relationship that exists between CG and CSR, a company without an efficient long-term view of leadership, effective internal control mechanisms, and a strong sense of responsibility vis-à-vis internal stakeholders cannot possibly pursue genuine CSR.

RESEARCH LIMITATION

The survey utilized the 'self report' method, due to which, there were chances of results being affected by the common method bias. The data was collected at one point of time (or cross-sectional nature) which made issues regarding establishing casualty difficult. This study has been conducted within a particular geographical, social and economic climate. Therefore it would be improper to generalize the result of this work without resorting to some more studies across different spectrums to see if similar results are forthcoming.

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AN ANALYSIS OF CORPORATE GOVERNANCE DISCLOSURES PRACTICES OF SELECT INDIAN LISTED COMPANIES

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ABSTRACT

In recent times, corporate governance has attracted much attention both in academicliterature and press media, especially in the wake of failure of some of world's mostrespected corporations. Corporate Governance is related to effective, transparent and accountable administration of affairs of an institution by its management, while protecting the interests of its stakeholders including shareholders, creditors, regulators and the public. But the implementation of 'Corporate Governance' is not that much simple as its means. It is very wide subject and it includes lot of discussion. No doubt corporate governance is recently emerged concept and has taken the attention of each and every country, investors and corporate executives, but its needs are in urgent state.The purpose of this study is to analysis corporate governance disclosures practices of Indian companies listed on BSE SENSEXand NSE NIFTY for two years 2008 and 2013. The study is based on secondary source of data. Parameters based Score card method has been adopted for analysis of corporate governance disclosures practices of selected Indian Listed companies. These parameters have been divided into four main categories. Equal weight-age method has been used for the purpose of CG Analysis. The findings of the study are analysed using aparameter based scorecard.

Keywords: *Corporate Governance, Corporate governance disclosures, SEBI's Clause 49 and Voluntary Guidelines, 2009, Board Composition, BoardCommittee s, Additional compliance measures*

INTRODUCTION

Ever since India opened up its economy to privatization, liberalization and globalization there has been rapid institutionalization of the corporate sector and private enterprise. This has quickened the pace of economic growth since 1992, measured in terms of enhanced GDP. Researchers have established that financial and economic development is largely dependent on investor protection in a country "de–jure and de facto. " So "Corporate Gover nance" has become the catchword in the corporate sector in India. In this changed scenario, the quality of governance has been an important factor not only for survival of the companies but also for influencing the company's ability to raise money from capital market.

Further corporate governance is important in Indian context because of the scams that occurred since liberalisation from 1991, for e.g. the Harshad Mehta scam (the stock market scandal) in 1992, Ketan Parekh scam in 2001, Tata financial scandal (Serious financial irregularities), Satyam Fraud case in 2008- 09, Latest 3G scam and lastly Citi bank Rs. 400 Cr. Fraud. All this scandals necessitate a need of set of good corporate governance doctrine. This paper studies the extent of compliance with corporate governance disclosures practices by the selected Indian listed companies.

LITERATURE REVIEW

A significant amount of research has been done on corporate governance disclosure practices in Indian and international context – to mention a few of them are:

Studies relating to Corporate Governance disclosures practices in International Context:

Ramsay & Hoad (1997) [8]analysed the extent to which Australian companies disclose their corporate governance practices by examining the annual reports of 268 listed companies. They found that the extent & quality of disclosure are better for larger companies as compared to small companies. They used content analysis method for the study.

Collett and Hrasky (2005) [3] studied the relationship between the voluntary disclosure of corporate governance information by the companies and their intention to raise both equity share capital and debt. A sample of 299 companies, listed on Australian stock exchange had been taken for the year 1994. The annual reports of the companies had been collected fromConnect 4 data base. The data with respect to voluntary disclosure had been collected for the year 1994 as later it became mandatory for the Australian companies to disclose corporate governance practices.

Barako et al. (2006) [1] examined the extent of voluntary disclosure by Kenyan companies over and above the mandatory requirements. The researcher also measured the extent to which corporate governance attributes, ownership structure and company characteristics influence voluntary disclosure practices of the companies. The study covered a period of ten years from 1992 to 2001. It comprised of all the companies listed on Nairobi stock exchange, classified into various industries. Weighted disclosure index had been used for analysis purpose. The results revealed that the audit committee was a significant factor associated with the level of voluntary disclosure while the proportion of non executive directors on the board was negatively associated.

Studies relating to Corporate Governance disclosures practices in Indian Context:

Gupta, A. and Majumdar A. (2004) [5] examined the degree of compliance of CG codes by Indian companies. They took 50 companies covering 11 Indian industries as sample for their study. They gathered required data from the annual reports of those companies for the years, 2001- 2002 and 2002-2003. They had three hypotheses under their study. The first hypothesis related to the CG code compliance rate individual company-wise , the second hypothesis related to the mean compliance rate taking into account all the companies under study and the third hypothesis tested the variation among the companies' compliance from the mean compliance rate. In theirstudy, they found that excepting 3 companies out of 50 companies surveyed, all the companies had compliance rate of over 50%. They also found that average compliance rate is the highest (87.14%) for the companies in IT sector and the lowest (63.33%) for the companies in the power sector.

Gupta (2006)[6]traced out the differences in corporate governance practices of few locally based selected companies of automobile industry in Haryana. Three companies namely Hero Honda Ltd, Maruti Udhyog Ltd and Escorts Ltd were selected on the basis of their size and reputation in the market. The data with respect to governance practices had been obtained from the annual reports of the companies for the year 2004-05. The author observed that compliance of clause 49 of listing agreement was 90% in case of Hero Honda Ltd followed by Maruti (80%) and Escorts (70%). The author did not observed significant deviations of actual governance practices from clause 49 of the listing agreement.

Balasubramanian, Black, and Khanna (2008) [2]provide an insight into the corporate governance practices in Indian companies based primarily on responses to a 2006 survey of 370 Indian public companies belonging to BSE 30 or 500 indexes. The survey revealed the Indian corporate governance rules appeared appropriate for larger companies but required some strengthening in the area of related party transactions.

RESEARCH OBJECTIVE/PURPOSE

1. To analyse the extent to which Indian listed firms have complied with the corporate governance disclosures practices with reference to mandatory and non – mandatory disclosures described by SEBI under Clause 49 for Indian Companies, Voluntary Guidelines led down by Ministry of Corporate Affairs in order to improve governance standards and any others additional compliance measures adopted for the creation of value for the stakeholders.

2. To find whether there is any significant difference in the Score of Corporate Governance disclosure practices between two years: 2008-2009 and 2012-2013.

RESEARCH METHODODLOGY

Research Method

Parameters based score card method has been adopted for comparative analysis between selected Public and private sector banks of India. These parameters have been divided into four categories, namely (1) Mandatory Provisions under Clause 49, (2) Non Mandatory Provisions under Clause 49, (3) Non Mandatory Provisions under Voluntary Guidelines (2009), and (4) Additional Compliance Initiatives.

Following is the distribution of variables:

- Mandatory Clause 49: **69** variables,
- Non-Mandatory Clause 49: **6** variables,
- Non-Mandatory Voluntary Guidelines: **8** variables, and
- Additional Compliance: **9** variables, totaling to **92** variables

Equal weightage method has been used for the purpose of CG Analysis. This method has been used as this is free from the personal biasness. All the items in the checklist were assigned equal weights, where "1 point" has been assigned for availability of the item and "0" for the non-availability of the same. This type of criterion has been used by other researchers too like Gupta, et al. (2003) and Das (2007). The extent of corporate governance disclosure has been measured using following formula:

$$\textbf{Extent of Corporate Governance Disclosure} = \frac{\text{Total Score Gained by a Co.} \times 100}{\text{No. of Items in the Checklist}}$$

Research Sample

The sample for the study comprises of 80 companies which are listed on Bombay Stock Exchange Sensitive Index, known as BSE Sensex and National Stock exchange, known as NSE Nifty Index. 30 companies of BSE Sensex and 50 companies of NSE Nifty are selected for the purpose of the study. The selection is made in such a way that it covers major industries of India. The sample has been collected for two years - 2008-2009 and 2012-2013. The year 2008-09 was selected as it marked the beginning of the second phase of CG Reforms after the Satyam Scam in the year 2008-09 and the year 2012-2013 was selected to know the latest development in the field of corporate governance.

Hypothesis of the study

Null Hypothesis:

$H1_0$ = There is no significant difference in the score of corporate governance disclosurespractices between two years: 2008-2009 and 2012-2013

Alternate Hypothesis:

$H1_1$ = There is significant difference in the score of corporate governance disclosures practices between two years: 2008-2009 and 2012-2013

DATA ANALYSIS AND FINDINGS

This sectionanalysis the extent to which the Indian listed companies have complied with the corporate governance disclosures practices with reference to mandatory and non-mandatory disclosures described by SEBI under Clause 49 of listing agreement for Indian Companies, Adoption of Voluntary Guidelines led down by Ministry of corporate affairs and Additional Compliance i.e. adopted for the creation of value for stakeholders. The details are available in Annexure – I

5.1 Corporate Governance Disclosure Score for the Year 2008-2009

Table 5.1 showing the summary of Corporate Governance Score for various industries for the year 2008-2009

SR. NO.	INDUSTRIES	NO.OF COMPANIES	AVERAGE OF THE SECTOR	MAXIMUM SCORE	MINIMUM SCORE
1.	Automobile	5	70	78	57
2.	Banking	7	68	77	66
3.	Diversified	2	81	81	81
4.	Finance Housing	2	80	82	78
5.	FMCG	1	75	75	75
6.	Housing and Cement	4	80	83	77
7.	Information Technology /Computer Software	4	71	77	59
8.	Infrastructure	4	72	78	67
9.	Iron and steel, Metal and Mining	6	75	82	71
10.	Paints / Varnishes	1	78	78	78
11.	Petroleum and Natural gas / Oil drilling & Exploration	5	76	86	73
12.	Pharmaceuticals	5	71	75	69
13.	Power Generation and Distribution	4	80	84	77
14.	Telecommunication	1	83	83	83
	TOTAL COMPANIES	51			
	AGGREGATE AVERAGE	**76**			

In the year 2008-2009, as indicated in the above table, Telecommunication sector is having the highest corporate governance score of 83 points whereas banking sector is the lowest score with 68 points.

5.2 Corporate Governance Disclosure Score for the Year 2012-2013

Table 5.2showing the summary of Corporate Governance Score for various industries for the year 2012-2013

SR. NO.	INDUSTRIES	NO.OF COMPANIES	AVERAGE OF THE SECTOR	MAXIMUM SCORE	MINIMUM SCORE
1.	Automobile	5	70	77	60
2.	Banking	7	70	79	62
3.	Diversified	2	72	77	67
4.	Finance Housing	2	81	84	79
5.	FMCG	1	80	80	80
6.	Housing and Cement	4	80	83	77
7.	Information Technology /Computer Software	4	75	79	72
8.	Infrastructure	4	74	79	69
9.	Iron and steel, Metal and Mining	6	76	85	75
10.	Paints / Varnishes	1	76	76	76
11.	Petroleum and Natural gas / Oil drilling & Exploration	5	79	86	75
12.	Pharmaceuticals	5	71	77	67
13.	Power Generation and Distribution	4	75	85	56
14.	Telecommunication	1	85	85	85
	TOTAL COMPANIES	51			
	AGGREGATE AVERAGE	**76**			

In the year 2012-2013, as indicated in the above table, Telecommunication sector is having the highest corporate governance score of 85 points whereas banking sector and automobile sector are the lowest score with 70 points.

5.3 Grading the score on Five Point Scale:
After determining the total score based on the parameters mentioned in Annexure I, the sample companies and industry-groups have been graded on five point scale as stated below:

TABLE 5.3

81-92	Excellent
70-80	Very Good
60-69	Good
50-59	Average
Below 49	Poor

Source

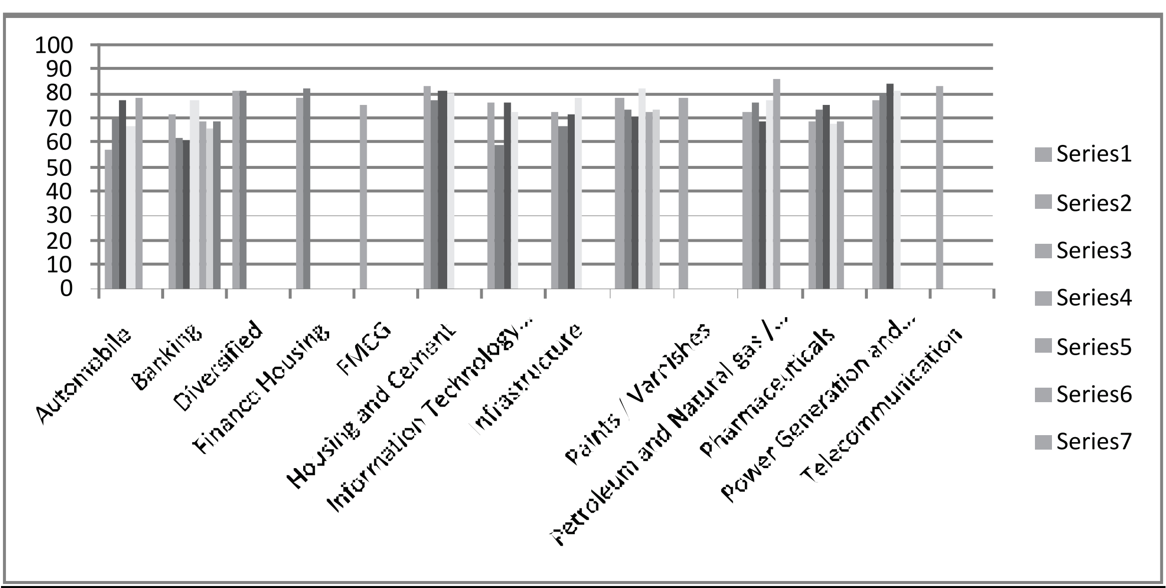
The governance standard attained (based on assigned points) by the sample companies for the year 2008-2009 and 2011-2012 is as shown in table 5.4 below:
5.4Sector wise Summary: Corporate governance standard attained by the sample companies

Based on the theory of grading by Subhash Chandra Das in " Corporate governance in India: An evaluation", Third edition, 2012.

Table 5.4

SCORE RANGE	No. of Co's.	BELOW 40	50-59	60-69	70-80	81-92
Sector		**Poor**	**Average**	**Good**	**Very good**	**Excellent**
Automobile	5	0	1	2	2	0
Banking	7	0	0	5	2	0
Diversified	2	0	0	0	2	0
Finance Housing	2	0	0	0	1	1
FMCG	1	0	0	0	1	0
Housing and Cement	4	0	0	0	2	2
Information Technology /Computer Software	4	0	1	0	3	0
Infrastructure	4	0	0	1	3	0
Iron and steel, Metal and Mining	6	0	0	0	5	1
Paints / Varnishes	1	0	0	0	1	0
Petroleum and Natural gas / Oil drilling & Exploration	5	0	0	1	3	1
Pharmaceuticals	5	0	0	3	2	0
Power Generationand Distribution	4	0	0	0	3	1
Telecommunication	1	0	0	0	0	1
Total	**51**	**0**	**2**	**12**	**30**	**7**

Figure 5.1 showing Corporate Governance standard of Various Industries



5.5 Testing of Hypothesis

The following hypothesis is framed & tested with respect to this study:

Null Hypothesis:

H10 = There is no significant difference in the score of corporate governance disclosures practices between two years: 2008-2009 and 2012-2013

Alternate Hypothesis:

H11 = There is significant difference in the score of corporate governance disclosures practices between two years: 2008-2009 and 2012-2013

T-test has been use to test the hypothesis

Output 1:

GROUP STATISTICS					
	YEAR	N	Mean	Std. Deviation	Std. Error Mean
CORPSCORE	2008-2009	51	74.7033	6.65807	0.9323
	2012-2013	51	74.1122	6.57644	0.9208

This table describes the mean and standard deviation of each year: 2008-2009 and 2012-2013 The mean represent the average disclosures scores for both the years. The average score for the year 2008-2009 is 74.7033, whereas for the year 2012-2013 it is 74.1122. From this data we cannot arrive to the conclusion that in the year 2012-2013 companies had adopted corporate governance practices more significantly compared to the year 2008-2009, without examining the statistical significance of the result. i.e. without applying t-test.

Output 2:

INDEPENDENT SAMPLES TEST										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
CORPSCORE	Equal variances assumed	0.004	0.947	0.451	100	0.653	0.59118	1.31044	-2.00869	3.19105
	Equal variances not assumed			0.451	99.985	0.653	0.59118	1.31044	-2.00870	3.19105

After testing the null hypothesis, we conclude that the null hypothesis cannot be rejected at 95% level of significance. Hence, there is no statistical significant difference in the score of corporate governance disclosure practices between two yearsi.e. 2008-2009 and 2012-2013, considering all the 10 parameters of the Corporate Governance disclosure Index.In other words we can say, that t test has failed to reveal a statistically reliable difference between the mean number for the year 2008-2009 has (M = 74.7033, s = 6.65807) and that 2012-2013 has (M = 74.1122, s = 6.57644), t (100) = 0.451, p = 0.653, α = .05.

5.6 Summary of Findings:

OBJECTIVES	**DESCRIPTIVE STATISTICS**		**NULL HYPOTHE SIS**	**FINDINGS**
	YEAR 2008-2009	**YEAR 2012-2013**		
1. To analyse the extent to which Indian listed firms have complied with the corporate governance disclosures practices	Mean: 74.703 S.D. 6.659 N=51	Mean: 74.112 S.D. 6.577 N=51	N.A	The sample firms have performed much better with respect to corporate governance disclosure practices by disclosing average 81% of the total items in both the years
2.To find whether there is any significant difference in the Score of Corporate Governance disclosure practices between two years: 2008-2009 and 2011 - 2012.	t-value: 0.451 p-value: 0.653		$H1_0$: There is no significant difference in the Score of Corporate Governance disclosure practices between two years: 2008 - 2009 and 2012-2013	The Null Hypothesis $H1_0$ is failed to be rejected at 95% level of significance. So there is no significant difference in the Score of Corporate Governance disclosure practices between two years: 2008 -2009 and 2012-2013

MANAGERIAL IMPLICATIONS

In the light of the above corporate governance scenario in emerging economies and their need to attract foreign investment and expand through cross border acquisitions and trade, it is vital that good governance practices are embedded in their culture as this would have long term implications on the performance of the firms. The implications of these measures of good corporate governance in the companies have to be weighed against the larger benefits of raising funds from the capital market.Since good corporate governance disclosures practices lead to encouraging financial returns to certain extent, from a regulatory perspective, the implication is whether corporate governance disclosures practices should be made mandatory and with stiff explicit penalties for those not complying with the mandatory requirements like Denying access to capital market.

RESEARCH LIMITATIONS /SCOPE OF FUTURE STUDY

1. The study is conducted depending upon the secondary sources of information. i.e. Corporate Governance Reports of the companies which is given as a separate section of Annual ReportsThe information available in annual reports was considered as if companies have implemented the same.Besides using annual reports, other data collection sources like, interviews with managers, investors, and suppliers etc, examining companies' records (if possible), can also be utilized to see the actual status of firm's governance quality.

2. The study is limited to only 51 companies listed on BSE Sensex and NSE Nifty based on market capitalization.further study could be done by increasing the number of observations through the use of large sample size and long year's data covering all the industries.
3. The present study analysis only the presence and intensity of disclosure not its quality. Future research should determine how much attention investors to pay to the quality and depth of information disclosed. So further studies should focus on the quality and type of information disclose in the annual reports.
4. In case where the data was not available in the question of compliance of a certain code by certain company it was taken as non compliance in respect of that code by that company.

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APPLICATIONS OF ANONYMIZATION TECHNIQUES FOR PRIVACY PRESERVING IN E-GOVERNANCE

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ABSTRACT

With the vast increase of use of Internetand online data storage, the issues related with security are now becoming very crucial. With advancement of Information Technology, services are provided online by the Government. Ensuring confidentiality and integrityof information is very important aspect of these services provided by-e Government. This paper focuses on various Anonymization techniques, that can be applied on the information collected, preserving the privacy of the information retrieved.

Keyword: preserving, anonymization, e-government, micro-synthetic, micro-data

INTRODUCTION

With the tremendous increase in Information Technology, various new aspects of development are now introduced. An e-Government, with use ofIT infrastructure ease s governance activity such as administration, revenueservices, various services like paying bills, policy formationfor submitting various forms and others. An e-Governance therebyimproves the efficiency of functioning of Government by removing redundancy atdifferent levels. Citizens of the country can get candor due to several e-servicesprovided for income tax, pension,and servi ces related toMunicipal Corporation and agriculture etc.

For any e-Governance service, the core is the Data Center. With remarkable usage of Internet users, the performance and reliability is highly dependent on the Data Center. An enhanced Data Center ensures a better e-Government System. This Data Center poses a crucial challenge on privacy preserving data mining. This Data Center provides Micro Data i.e. data about an individual, person, household, business or other entity. Organizations and different agencies very often need to publish sensitive micro data, like medical data or census data or personal data for research purpose or for developers to develop applications. Many times decision makers and trend analyzer also need such type of micro data. Ensuring confidentiality of information is most important criteria for Data Centers of an e-Governance System.

The sensitive informationprovided by Data Center is highly prone to malicious use. The main apprehension is that sensitive information should not be disclosed or misinterpreted. These disclosures can be classified in two broad categories-

- **Identity disclosure** when an individual entity can be distinguished from the published data.

- **Attribute disclosure** whileinferring crucial information about the individual from the published data.

At any stage, it is necessary to maintain confidentiality of the published information provided by Data Center. Confidentiality can be termed as limiting data access and disclosure to authorized users and preventing access by or disclosure to unauthorized users.

For an illustration on prominence of privacy preserving data mining issues, consider Administrative Records for citizens of the country (Note: The factual data are changed with some attributes omitted). The data contains attribute values which can uniquely identify an individual (pincode, nationality, age or/and name) and sensitive information corresponding to individuals (Pan Card, Bank Account Number, Driving License number or Voter's ID). The data must be published so that information remains basically valuable and also identity of an individual is not risked. In the example illustrated, an adversary may leak the information like Salary Account holders from the published data. Anonymization techniques can be used here by either anoymizing fields like Pincode or remove direct variable like Bank Account Number. With the approaches of Anonymization Techniques various confidential fields based on their magnitude can be secluded.

Table I: Income Tax Data

#	Non-sensitive Data				Sensitive Data	
No	**Pincode**	**Age**	**Basic**	**Name**	**Bank A/c**	**Pan Card**
1	390005	58	9000	Kumar	910010034579012	ATAQQ8132S
2	390015	52	12390	Avani	910010023412346	NQJPS6139F
4	390018	78	18890	Akhtar	912010003953574	BIPPK5596B
3	390004	24	28600	Kunal	047010100445432	ADTSP8523N
5	390075	26	7890	Dhvani	910010025612353	BYJPR6548J

Table II: Published Data

#	Non-Sensitive Data			Sensitive Data
No	**Pincode**	**Age**	**Basic**	**Bank A/c**
1	390005	58	9000	910010034579012
2	390015	52	12390	910010023412346
3	390004	24	28600	047010100445432

Table III: Salary Account Holders

#	Non-Sensitive Data			Sensitive Data
No	**Pincod e**	**Age**	**Basic**	**Bank A/c**
1	390005	58	9000	910010034579012
2	390015	52	12390	910010023412346

ANONYMIZATION TECHNIQUES FOR DATA CENTER OF E-GOVERNANCE

An identifying variable describes a characteristic of an individualwhich is apparent (voter's id, Driving License etc.), orsomething that can be known to other persons. Anonymization is process of removing or modifying the apparent variablescontained in published dataset. *Direct identifiers,* which are variables such as names, addresses, Identity card numbers like Driving License or Voter's ID. Thesevariablesallow direct identification of an individual but are not required for research purposes, and thus can be removed from the published dataset. *Indirect identifiers*are thosecharacteristics thatare shared by differentindividuals, and its combination canescortto the re-identification of any of them. For example, the combination of variables such as pincode, age,basic , and profession would be identifying if only one individual of that particular age, basic and profession lived in that particular area identified by pincode. Such variables are needed for statistical purposes, and should thus not be removed from the published data files. Anonymizing the data will consist in determining which variables are potential identifiers (differs from person to person), and in modifying the level of precision of these variables to reduce the risk of re-identification to an acceptable level. The main concern is reducing the information loss but same time maximizing the security.

A. Methods based on data reduction

Similar kind of characteristic present in a sample of individuals can be reduced by data reduction methods. The techniques are devised to minimize the presence of unique identifiable records of individuals. Different techniques to be employed under this are briefly described below.

1. Removing variables

Most of the synthetic data contains information for direct identifiers. These direct identifiers can be removed when it is highly identifying and no other protection methods can be applied. A variable can also be removed when it is too sensitive for public use or irrelevant for analytical purpose. For example, information on basic salary of an individual might not be released in a public use file while they might be released in a licensed file.

No	Pincode	Age	Name
1	390005	58	Kumar
2	390015	52	Raj
3	390004	24	Bob

Table IV: After Removing Basic Salary Variable

2. Removing records

In this mechanism directly an identifiable record will be removed instead of removing the entire variable. Its use is suggested only when the record is particular in spite of other protection methods being employed. For example in census data, the record of a person suffering from a very rare disease (say 1 in million) may be removed rather than removing the variable for disease itself from the data file. It is not desirable to remove such records as theylargely impact the statistical properties of the released data.

3. Global recoding

This technique can be used to aggregate the values in a variable into some pre-defined sets. For example, recoding the basic salary into groups of salary slots, or the age of an individual in three-size classes: young, mid and old. The method applies to numerical variables, continuous or discrete. It affects all records in the data file. The scheme is also applied to key variablesto minimize the identifying effect.

4. Top and bottom coding

Top and bottom coding of global recoding is applied to numerical or ordinal categorical variables. The variable like 'Salary'is common example. The highest values of this variable are usually very rare and therefore identifiable. Top coding at certain thresholds introduces new categories such as *monthly salary higher than Rs.150000* , leaving unchanged the other observed values. The same reasoning applied to the smaller observed values defines bottom coding. When dealing with ordinal categorical variables, a top (or bottom) category is defined by aggregating the "highest" (or "lowest") categories.

5. Local suppression

It is a method of global recoding where observed values of one or more variables in a certain recordis replaced with a missing value. All the values that fall within a certain limit are replaced with a fixed value. Different criteria are therefore necessary to decide which variable constructthe risky combinations and needs to be locally suppressed. For example the published data from Table I can be formed as:

No	Pincode	Salary	Name
1	390005	19000	Kumar
2	390015	12390	Raj
3	390004	12890	Bob
4	390018	12890	Akhtar
5	390075	12890	Ravin

Table:V After suppression of Basic Salary variable.

B. Methods based on data perturbation

These methods based on data perturbation engaged are useful in two differentforms. Firstly, if the data modified, record linkage or matching algorithms may be used for re-identification. This makes it more difficult and uncertain. Secondly, when amalicious user is able to re-identify a token, he can't be sure that the disclosed data istrustworthy with the original data.

Micro-aggregation replaces an experimental value with the middling computed value based on a small group of dataset, including the experimental one. The units belonging to the same group will be represented in the released file by the same value. When micro-aggregation is independently applied to a group of values, the scheme is called *individual ranking*. When all the values are middle at the same time for each group, the scheme is called *multivariate* micro-aggregation. Thesimplest way to group records before aggregating them is to sort the groupsby their similarity and the values that result from this criterion, and to sum up different consecutive values into fixed size groups.

For example, consider the basic salary field of the micro data file. Here, basic salary in a particular range say Rs.10000 to Rs.15000 is fixed as Rs128 55. Now in all the records which have basic salary between Rs.10000 to Rs.15000, the value will be changed to Rs128 55. Such type of aggregation is termed as uni-variant micro aggregation. The variablenow behaves as the sorting criterion.

1. Data swapping

Data swapping is a scheme to hide tabulation results from the perturbed micro data file. Data swapping consists inchanging a proportion of the records in a file by swapping values of a subset of variables between selected pairs of records. The level of data protection depends on the perturbation level induced in the data. Astrategy needs to be determinedfor which variables and which records swapping is required. For categorical data, swapping is frequently applied to records that are sample unique or sample rare, as these records usually present higher risks of re-identification. An advantage of this technique is that the lower order marginal totals of the data are completely preserved and are not changed at all.There off,certain kinds of aggregate computations can be exactly performed without violating the privacy of the data.

2. Post-randomization (PRAM)

PRAM is a statistical disclosure control technique,which induces uncertainty in the values of some variables by exchanging them according to a probabilistic mechanism. PRAM can be considered as a randomized version of data swapping. Here also, data protection is achieved because a malicious useris not confident about a certain released value whether it is true, and therefore the matched record with external identifiers may lead to mismatch or attribute misclassification. The method can be used for both categorical variable as well as numerical values.

3. Adding noise

Adding noise consists in adding a randomvalue, with zero mean and predefinedvariance, to all values in the variable that needprotect ion. This method is not consideredefficient in terms of data protection.

4. Resampling

Resampling is a technique used for numerical micro data which consists indepiction with changes of *t* samples of *n* values from theold data, sorting the sample dataand averaging the sampled data. This technique provides low level of data protection.

C. Generating synthetic micro data

With increased appeal for researchers, many times it is necessary to simulate artificial data. Synthetic micro data are created using simulation algorithms to generate real-world data.Synthetic micro data enhances hiding of important datawhich are produced using data simulation algorithms. The motivation for this approach is that synthetic data pose no problems with regard to statistical disclosure control, as they do not contain real data. Synthetic micro data preservescertain statistical properties.

ANONYMIZATION TECHNIQUES AND E-GOVERNANCE SERVICES

Common techniques that can be employed in Data Center for protecting the information have been discussed. E- Government Data C enterhas lots of confidential and important information about the citizens of a country. It is necessary that the information should be available securely in a way that the identity of individual is not compromised. During the application of anonymization techniques two important assumptions hold true. First, it may be very hard for the authenticated user of a database to determine which attributes should be really available in external tables. Secondly a specific type of attack is generally assumed which does not hold true in real world scenarios.

Again, researchers might not rely on synthetic data because he cannot be sure of the results of his statistical analysis research. Even then, this approach can help in producing test micro data set.In some cases, synthetic data files can be released to allow researchers to test their statistical analysis to access true micro data in a data encase.

CONCLUSION

Person specific data in its original form often contains sensitive information. Malicious or adversaries are always there to disclose the sensitive information that is collected through various data collecting methods. E-Government services collect lots of valuable information about the individuals of a nation. Hence, there is always a need to preserve the private information of the individual or organizations. Discussion in this paper focuses on various statistical methods of anonymizationfor privacy preserving and their implications in an e-Government Services.

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IMPACT OF CORPORATE SOCIAL RESPONSIBILITY: A STUDY ACROSS SELECTED COMPANIES OF HEALTHCARE INDUSTRY IN INDIA

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ABSTRACT:

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large. Currently corporate social responsibility has become an emerging issue in country as government has passed a new bill of the company, whereby 2% of average profit of last three years is mandatory for CSR activities for all specified companies which earn profit and their turnover is more than 1000 crore or net worth is more than 500 crore or net profit is more than 5 crore. So ultimately most of the companies come under the Act in the net profit condition. In CSR many aspects are considered, however in this research only staff welfare and investor point of view are considered. This paper attempts to identify the relationship between staff welfare, dividend, capital gain, profit after tax and net sales. The research shows that there is relationship between staff welfare and net profit, staff welfare and dividend payout & profit after tax and staff welfare and profit margin. All these relationships also lead to the finding whether CSR has a benefit or brings trouble for companies. This research is based on secondary data gathered from the annual reports of Health care companies.

Key Words: Corporate Social Responsibility, Staff welfare, PAT, Dividend Payout

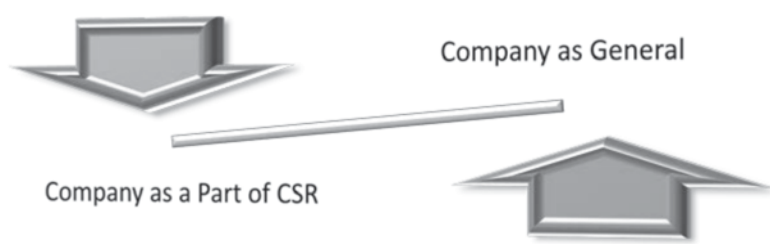
INTRODUCTION

Now a day corporate social responsibility becomes an emerging issue in India after the companies' bill 2013. In this bill CSR is mandatory for the all companies which companies earn profit and the turnover is more than 1000 crore or net worth more than 500 crore or net profit more than 5 crore so ultimately most of the companies come under the act in the net profit condition but the matter is that there is unavailability of accounting standard for the CSR so it is very difficult to establish the relationship among the companies and industry. It can't' quantified how much expenses are done for the CSR in which area and in which activity, so comparison can't possible in it. However, there is a great deal of ambiguity and uncertainty about what corporate social responsibility really means as well as what drives a business to pursue it. Whatever are the motivations behind CSR theories, it is also interpreted as the concept of triple bottom-line *("People, Planet, Profit")* which captures an expanded spectrum of values and criteria for measuring organizational success; economic, environmental and social. There are many key elements of CSR but in this research it is taken only the staff welfare cost and the dividend and capital gain for the investor point of view as a unavailability of the financial data for the other elements of CSR is not taken in to consideration. In India healthcare industry plays a vital role in the CSR practices once as a general company and once as part of CSR activities

Objectives:

- To study the co relationship between staff welfare cost and Profit after tax
- To study the effect of the staff welfare cost as spending for CSR on profitability of the companies
- To Study the relationship between the dividend and profit after tax of companies
- To study the relationship between the staff welfare cost and dividend of the companies
- To study the relationship between capital gain/loss and profit after tax of the companies.

Health Care Industy Role in CSR



Selected Companies list:

1) Sun Pharmaceutical industries Ltd
2) wockhardt Ltd
3) Aurobindo Pharma Ltd
4) Divi's Laboratories ltd.
5) Apollo Hospitals Enterprise Ltd
6) Cadila Healthcare ltd.
7) Glenmark Pharmaceuticals ltd
8) IPCA Laboratories Ltd
9) Lupin Ltd
10) Cipla Ltd

CSR Activities of Companies:

- Free Camp
- Patent security
- Health awareness programme
- Education Support
- Child health
- Environmental aspect

LITERATURE REVIEW

CSR and Employee benefit research review

Companies are starting to engage in CSR activities in order to respond to an external demand, and also taking into consideration the positive effects of CSR. On the other hand, their CSR activities have an impact on current employee's commitment towards their employer (Turker, 2008)

Considering the internal marketing approach, each employee is considered as an extension of the corporate image and in this regard an important determinant of consumer's satisfaction. For a company, the benefits of social responsibility in the internal marketing concerns (Hoeffler et al., 2010)

One underutilized approach to understanding some of the potential costs and benefits of CSR to firms is to investigate the impact of CSR on employees. Research often addresses how CSR affects important stakeholder groups, especially investors (e.g., Graves&Waddock, 1994) and consumers (e.g., Sen&Bhattacharya, 2001), but it has tended to neglect employees (Aguilera et al., 2007; Aguinis & Glavas, 2012).

CSR comprises a wide range of activities that illustrate a company's general orientation toward its stakeholders, CSR should affect employees' perceptions of corporate morality and influence their expectations about whether the company is likely to act opportunistically versus honor psychological contracts (Jones, 1995)

We could find only three studies that measured organizational identification and tested whether it mediated the relationship between CSR and employee attitudes and behavior. Corporate social responsibility has received an increasing amount of attention from practitioners and scholars alike in recent years. However, very little is known about whether or how corporate social responsibility affects employees (Christopher W.Bauman (2012))

CSR AND PROFITABILITY RESEARCH REVIEW

Since the answer to the question whether the risk associated to Corporate Social Responsibility issues is (correctly) priced by the market cannot be given on theoretical grounds only, it is investors' perception of the relevance of the Corporate Social Responsibility principles that counts in the end. If investors believed that companies implementing the Corporate Social Responsibility principles are resource wasteful, they would determine a negative return premium on these companies stocks. To the contrary, if corporate social responsibility behavior of companies is in line with investors beliefs, they would determine a positive return premium for these companies stocks (Aupperle,1985).

The relationship between corporate social responsibility and firm's profitability in Nigeria The data revealed that all the sample firms invested less than ten percent of their annual profit to social responsibility. There is inverse relationship between the two variables (PAT and CSR).This implies that the more the profit recorded by firms in Nigeria the less they invest in corporate social responsibilities. This suggests that these organization survival and ability to make profit in the long run could be threatened as various stakeholder particularly there host communities could threaten their existence. (Babalola, Yisau Abiodun *(2012)*)

Expenditures toward ends other than profitability could introduce inefficiencies into the market that in turn would decrease overall social benefit (Friedman, 1962; Friedman & Friedman, 1980). Requiring companies to pursue social objectives other than profitability also decreases the overall amount of personal freedom in society, because it impinges on shareholders' right to invest their money in whatever ways they wish (Friedman, 1962).

Taken together, these arguments lead some to conclude that the sole social responsibility of business is to increase profits (Friedman, 1970).

At the level of the firm, having a positive reputation for CSR lessens the impact of negative events, such as law suits and punitive regulatory actions, on company stock prices (Godfrey et al., 2009).

"There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."(Freidman, 1970)

The debate in society about the ethical and social aspects of business has forced companies to react to the social and ethical pressure of the public. Many companies nowadays are concerned about values like integrity and feel that they must meet the triple P bottom line expressing the expectations of stakeholders with respect to the company's contribution to profit, planet and people in order to get a license to operate. Firms that do not meet these expectations may see their reputation founder with a negative impact on market shares and profitability (McIntoshet al., 1998).

Corporate social responsibility (CSR) has become an integral part of business practice over the last decade or so. In fact, many corporations dedicate a section of their annual reports and corporate websites to CSR activities, illustrating the importance they attach to such activities. But do such activities create value for the firm's shareholders or do they focus too much on other stakeholders, thereby lowering firm value? (Griffin JJ, Mahon JF (1997)

RESEARCH GAP:

In India and all over the world the research are done for the impact of CSR on profitability and financial performance and customer satisfaction and employees etc. but still the research is not done for the relationship of the staff welfare cost impact on the profitability, so In this research these parameters are considered.

METHODOLOGY:

Research design: Descriptive

Population: Healthcare Industry

Sample Size: 10 companies

Sampling Method: Non random sampling (Convenience Based Sampling)

Research Type: Secondary

Data source: Annual report of the companies

Scope of the research: Staff welfare cost and Financial performance.

DATA ANALYSIS AND INTERPRETATION:

Test 1:

H0: There is no significant relationship between staff welfare cost and Profit after tax.

H1: There is significant relationship between staff welfare cost and Profit after tax.

Descriptive Statistics

	Mean	Std. Deviation	N
Profit after Tax	7510.76	4999.466	10
Staff welfare Expenses	260.59	207.346	10

Correlations

		Profit after Tax	Staff welfare Expenses
Profit after Tax	Pearson Correlation	1	.876**
	Sig. (2-tailed)		.001
	N	10	10
Staff welfare Expenses	Pearson Correlation	.876**	1
	Sig. (2-tailed)	.001	
	N	10	10

**. Correlation is significant at the 0.01 level (2-tailed).

This test is significant means H0 is rejected, so there is a positive relationship between staff welfare cost and Profit after tax.

Test 2:

H0: There is no significant Impact of staff welfare on Profit after tax

H1: There is significant Impact of staff welfare on Profit after tax

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	90.000[a]	81	.231
Likelihood Ratio	46.052	81	.999
Linear-by-Linear Association	6.902	1	.009
N of Valid Cases	10		

a. 100 cells (100.0%) have expected count less than 5. The minimum expected count is .10.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.606a	**.367**	.288	364.676717167674950	.367	4.643	1	8	.063

a. Predictors: (Constant), Staff Welfare rate

The test result is insignificant, so there is no significant Impact of Staff welfare cost on the Profitability of the companies but as per regression analysis its fount that the effect of staff welfare on PAT is around 36.7%

Test 3:

H0: There is no significant relationship between profit after tax and dividend

H1: There is significant relationship between profit after tax and dividend

Correlations

		Dividend Growth rate	Groth rate in PAT
Dividend Growth rate	Pearson Correlation	1	.286
	Sig. (2-tailed)		.423
	N	10	10
Groth rate in PAT	Pearson Correlation	.286	1
	Sig. (2-tailed)	.423	
	N	10	10

The test result is insignificant, so there is no significant relationship between Profitability of the companies and dividend.

Test 4:

H0: There is no significant relationship between staff welfare cost and dividend

H1: There is significant relationship between staff welfare cost and dividend

Correlations

			Dividend Growth rate	Staff Welfare rate
Spearman's rho	Dividend Growth rate	Correlation Coefficient	1.000	-.142
		Sig. (2-tailed)	.	.696
		N	10	10
	Staff Welfare rate	Correlation Coefficient	-.142	1.000
		Sig. (2-tailed)	.696	.
		N	10	10

The test result is insignificant, so there is no significant relationship between staff welfare cost of companies and dividend.

Test 5:

H0: There is no significant relationship between profit after tax and capital gain/loss

H1: There is significant relationship between profit after tax and capital gain/loss

Correlations

		Groth rate in PAT	pricechangerate 2012_13
Groth rate in PAT	Pearson Correlation	1	.387
	Sig. (1-tailed)		.135
	N	10	10
pricechangerate2012_13	Pearson Correlation	.387	1
	Sig. (1-tailed)	.135	
	N	10	10

The test result is insignificant, so there is no significant relationship between Profit after tax and capital gain or loss.

FINDINGS

In this research it is found that there is relationship between the staff welfare and PAT but there is no significant impact of staff welfare on the PAT and the over all cause and effect is 36.7% on PAT.

The data required for quantitative analysis is not enough available for CSR activities, But based on the staff welfare cost and financial point of view it measure the positive relationship between them at long run.

It is very difficult to measure the relationship and compare the Corporate Social Responsibility even with in a single Industry as there are no accounting reports and accounting standard follows by the companies till current financial year. But in future it has wide scope for it, because of the new companies' bill

Few of companies are preparing the CSR report currently, but most of the companies are maintaining CSR portal in website.

MANAGERIAL IMPLICATIONS

This research is identifies the cause and effect relationship between various variable so it will helpful to decide the value level or contribution of the staff welfare cost in CSR.

SCOPE FOR FUTURE STUDY

This research is based on only the data available in annual reports and staff welfare cost and profitability in future it can expand on the basis of various other parameter like environmental cost, and also in detail qualitative data analysis from the employees.

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SOCIAL DIVERSITY OF BOARD OF DIRECTORS AND THE PERFORMANCE OF THE FINANCIAL SECTOR IN ETHIOPIA

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ABSTRACT

This study investigates how the social diversity of the board of directors in the Ethiopian financial sector affects financial performance. This study examines the social diversity of the board of directors using includes gender diversity, age diversity and ethnic diversity. Sixteen financial institutions from banking, insurance and microfinance sectors were selected based on stratified sampling technique. Standard performance indicators, return on equity (ROE) and return on total assets (ROTA) were used to evaluate the financial performance of the institutions based on the panel data set for eight consecutive years from the period 2004/05 to 2011/12. Microsoft Excel was used in the early stages of the data processing and then after SPSS was used for the statistical analysis. The results of the study disclose the financial sector has shown growth as measured by the standard performance indicators, however, the relationships with social diversity of board variables have found inconsistent.

Keywords - Age diversity, Ethnic diversity, Financial institutions, Gender diversity, Financial Performance, ROE, and ROTA

INTRODUCTION

The financial sector is the heavily regulated sector than-non financial sectors in any nation because of the risks attached to it. Apart from regulatory requirements, however, the board of directors and the decisions they make should also be given due emphasis. Board, a representative of owners, is an internal corporate governance mechanism that frames the strategic directions of a firm. Hence, to discharge its roles therefore, a board must be sufficiently diversified in its composition.

Over the last few decades, many studies have been made in the areas of board composition focusing on board size (e.g. Najjar, (2012), Ujunwa (2012), O'Connel (2010), Agoraki et al (2009), Belkhir (2009), Kathuria and Dash (1999), and Yermark, (1996)), board independence or non-executive board of directors (Khan and Awan (2012), Dahya and McConnel (2007), Andres et al (2005), Bhagat and Black (2002), Agrawal and Knoeber (1996), Hermalin and Weisbach (1991) and Baysinger and Butler (1985)) as they affect firm performance.

Board diversity in the words of Coffey and Wang (1998) refers the "variation among board members." They further explain that such variation may have various sources such as expertise and managerial background, personalities, learning styles, education, age and values. These days the issue of board diversity is becoming a point of discussion in corporate governance (Dutta and Bose, 2007). In case of the board of directors, diversity enhances greater creativity, innovativeness and quality decision making (Marimuthu, 2009). This is because the attitudes, beliefs, and cognitive functioning of humans look to be systematically distributed with variables like age, gender, and race (Wachudi and Mboya, 2009). Currently board diversity is catching the interest of scholars that investigate the relationship between board diversity and firm performance (Darmadin, 2010). However, many of these studies have been made in the context of developed nations.

The Ethiopian financial sector in general is considered as undeveloped. After the fall of the former socialist government in 1991, the current government has taken many structural reforms such as re-opening the sector for private investors, though ownership for foreigners and branching of their FIs is strictly forbidden, lifting most domestic price controls, reducing import tariffs, and moving to a market-based system of foreign exchange allocation (Alemayehu 2006). Though Ethiopia's march to market-oriented economic system was started in Ethiopia during the early 90s, some changes and growth have been observed in the finance sector. This can be witnessed by continued increases in number, capital base, assets possession, service expansion, branch networks… etc.

As the FIs grow, in terms of resource base or possession of assets, capital and branch network expansion, the issues of governance has obtained an increasingly important role in the discussions about the conditions for success, or reasons for failure, of such institutions. Apart from the legal and regulatory framework, the FIs boards are the core who could affect the performance of the firms. Hence, in light of this, the current study makes a closer look at the social diversity of these boards and their relationship with the firms' financial performance.

LITERATURE REVIEW

Board diversity does not mean simply the aggregate of individuals who have different characteristics. Rather, it is the collection of the right people for the job and tying together their unique and individual skills and experiences. As far as social diversity of the board is concerned, it is to mean that getting right people having differences with a broader range of perspectives on gender, age, ethnic, religion, cast, etc. in the board room for an effective decision making.

Carter *et al* (2010) explain the global desire for better CG emanates from the high interest in having a demographically or socially diversified board. Specifically, they say, there are two major reasons. The first one is companies would benefit from those competent women and ethnic minorities since it enhances human capital, external networks, information and other etc. and the second one is a corporate board that includes women and ethnic minorities would benefit from better governance and firm profitability.

The findings of empirical studies on the relationship between social diversity of board directors and firm performance show mixed and inconclusive results. For the purpose of simplicity, we categorize the studies into three areas: 1] age diversity, 2] gender diversity and 3] ethnic diversity.

Board of directors age diversity and firm performance

At different times, different generations experience different political, economical, and technological trends that could potentially do influence individual perspectives, Østergaard *et al* (2011). In this regard, Dagsson and Larsson (2011) find that age diversity significantly affects firm performance as measured by ROA, but not as measured by Tobin's Q.

Board Gender Diversity and firm performance

Some researchers have been done into the differences in behaviour on the board already. For instance, Adams and Ferreira (2009) found that women appear to act differently than men on board inputs, and specifically that they were less likely to have attendance problems and more likely to sit on monitoring-related (audit, nominating and corporate governance) committees. They also found that the presence of women on the board changed the behaviour of male directors, improving their attendance record.

A large number of studies also investigate what relationships exist between board gender diversity and firm performance. Strom *et al.* investigate the relationships between female leadership, firm performance and corporate governance in a global panel of 379 micro-banks (microfinance institutions) in 73 countries. They find that female leadership is significantly associated with larger boards, younger firms, a non-commercial legal status and more female clientele. Furthermore, their finding discloses that a female CEO and a female chairman are positively related to micro-bank performance.

Campbell and Vera (2008) also examine how the presence of women on the board of directors affects firm performance. The result of their study discloses that gender diversity (measured by the percentage of women on the board) has a positive effect on firm value. Correspondingly, the study of Carter *et al.* (2003) cited by Ujunwa (2012) reveal that firms with at least two female board members performed better as performance is measured by Tobin's Q and ROA when compared to firms with all men board members. Also, Francoeur *et al.* (2008) study how the participation of women in the firm's board of directors enhances financial performance. The results of their findings point out that firms operating in complex environments do generate positive and significant abnormal returns when they have a high proportion of women officers. Shrader *et al.* (1997), however, using a sample of 200 large US firms, they do not find any significant relationship between the percentage of women in the upper echelons of management and firm performance using accounting data such as return on assets (ROA), return on sales (ROS), return on Investments (ROI), and return on equity (ROE).

On the contrary, Ujunwa (2012) studys board characteristics and the financial performance of Nigerian quoted firms using panel data from 122 quoted firms between 1991 and 2008. The study reveals that gender diversity is negatively linked to firm performance as measured by return on assets employed (ROAE). Similarly, Wachudi and Mboya study the "Effect of board diversity on the performance of commercial banks in Kenya" for the period 1998-2009 using a sample of 32 banks. The result of their study notes that board diversity has no effect on firm performance as measured by ROA.

Still, the study of Remery *et al* (2010) of "Gender diversity and firm performance: evidence from Dutch and Danish boardrooms" cited by Dagsson and Larsson (2011) disclose out of the 186 firms included in their study only 40% had at least one woman on the board, but no evidence was found for a positive correlation between gender diversity.

Board Ethnic Diversity and firm performance

One of the variables that measure the social diversity of the board of directors is ethnicity. According to Capehart, 2003 cited in Marimuthu, 2009, it is not essential for an ethnic group to share a country of origin, but to share a sense of common political or cultural origin. Accordingly, Hassan et al. (2005) cited in Marimuthu (Ibid) stressed tolerance and respect should prevail in managing a board which is ethnically diversified in order to keep harmony at a higher level. In relation to this, Hambrick *et al*. (1996) cited in Shukeri *et al* (2012) explained the advantage of ethnic diversity in board as it broadens knowledge, idea and experience through a variety of information resources where cultural difference is a background to board of directors. Hence, it is important for a firm to have high level cultural heterogeneity.

Erhardt *et al.* (2003) taking data from 112 large public companies in various industries study the relationship between board demographic diversity (measured in terms of ethnicity and gender) and organizational performance (measured by ROA and ROI). The results indicate executive board of director diversity is positively associated with both ROA and ROI. Thus, they conclude diversity with boards of directors appeared to have an impact on overall organizational performance.

PURPOSE OF THE STUDY

The current study investigates the influence of the social diversity of the board of directors on the financial performance of the financial institutions in Ethiopia. Besides, this study contributes to the corporate governance literature for the reason that it emphasizes on a developing economy that has different economic, legal, and cultural environments from those of developed economies, where most previous studies have been conducted.

RESEARCH APPROACH

Research Design: The research design of this study can be considered correlational as it attempts to examine the relationship between the social diversity variables and the financial performance of the financial institutions.

Sample Design:

The sampling frame of the study: Ethiopia's formal incorporated financial institutions include government and privately owned banks, insurance companies,and micro- finance institutions. Hence, the sampling frame of this study is designed to hold those FIs currently operating and have a registered history of continued operation for more than five fiscal years are selected. This is due to an assumption that at least five years of operations are substantial enough, as a threshold, to see the relationship between corporate governance and firm performance. Hence, a total of 42 FIs is taken up to construct the sampling frame in this study.

Sample Size and the Sampling Techniques: To make the sample size optimum in order to fulfill all the requirements of efficiency and representativeness,fro m the sampling frame 16 FIs are selected being the total sample size of this study. With regard to sampling techniques, two random sampling techniques were followed in two different steps. In the first step we used the stratified sampling techniques owing to the heterogeneous nature of the sampling frame. Hence, in this step taken in this study is classifying the incorporated FIs into three strata. Consequently, the 42 FIs indicated in the frame are stratified like 10 banks, 9 insurance companies and 23 MFIs. However, in selecting the 61 FIs that comprised the total sample size the researcher followed the disproportionate stratified sampling technique. Accordingly, the proration result indicated seven banks, four insurance companies and five microfinance institutions be the size from each stratum. In the second step we followed the simple random sampling technique to select the institutions from each stratum. This was done by assigning a number to each FIs found in each stratum. Then the numbers are entered into equal size papers and placed in a basket. By the help of a blindfolded assistance, the papers are then picked one at a time until the desired sample size was obtained.

Data Sources

The data for this study was collected from secondarysources, mainly of the audited financial statements of the selected FIs and annual reports of the Central Bank. The survey reports refer periods of 2004/05 to 2011/12 to increase the validity and reliability of the results. Moreover, primary datawere also used to capture pertinent data on board composition FIs via standard questionnaires distributed to board secretaries of the selected FIs.

Data Analysis

The standard performance indicators, return on equity (ROE) and return on total assets (ROTA) were used to evaluate the financial performance of the selected FIs. We use these two different performance measures to check the consistency of the results as they are commonly adopted by researchers. Microsoft Excel was used in the early stages of the data processing and then after SPSS was used for the statistical analysis.

RESULTS AND FINDINGS

Age Diversity and firm performance

Table 1 below presents the frequency of age of the board of directors in six different categories. As the table clearly presents 58% of the board of directors are more than 50 years old while only 11% of the boards are in young age group of 30 to 39. This indicates old agedboards of directors dominate the financial sector's board composition.

Table I Age Distribution of Boards of Directors

		Frequency	**Percentage**	**Cumulative Frequency**
Age Group in Years	30-39	11	11.2%	11.2%
	40-49	30	30.6%	41.8%
	50-59	34	34.7%	76.5%
	60 and above	23	23.5%	100%
Total		**98**	100%	

Source: Survey data

To analyse any difference in mean performance between the FIs, we classified the age groups into two. The first group 49 years of age and below and the second group is 50 and above years of age. The first and the second groups have given nominal numerical values of ***0*** and ***1*** respectively. So the first group can be called concentrated by youngdirectors, while the second group can be named as concentrated by old directors. In doing so, the FIs numbers of boards in each age group are counted and when one of the two groups is larger than the other, the grouping will be made accordingly. However, in case of a tie, that FI is excluded from analysis, as we have one in our analysis. The result of the independent t-test is presented in table II below.

Table II Independent Samples Test Result for Age Group

Performance Measures	Group	N	Mean	Std. Error Mean	t	df	*p*-value
ROE	0	7	0.2343	0.0507	-0.320	13	0.754
	1	8	0.2624	0.0689			
ROTA	0	7	0.0614	0.0285	-0.802	13	0.437
	1	8	0.0731	0.0279			

Source: Survey data

Table II is used to see whether or not there were differences in performance due to directors' age group concentration. The *p*-values of 0.754 and 0.437 in testing ROE and ROTA respectively made it clear that there is no significant difference between the two age groups (young aged directors and old aged directors). Hence, it is possible to say that the board of directors' age may not matter when it comes to financial performance so long as the case of Ethiopian FIs is taken into account.

Gender Diversity and Firm Performance

The FIs boards in Ethiopia do lack gender-balance they are male dominated. As indicated in the table 3 below, three-fourth of the total sample FIs can be called as boards having at most one female director while not more than four FIs have more than one female board member.

Table III Distribution of Female Directors

	No. of Female Directors		
	Non	**Only One**	**More than One**
Frequency	**6**	**6**	**4**

Source: Survey data

In order to analyze how significant gender diversity in the financial performance of the Ethiopian FIs, we have made a one way ANOVA test.

Regarding gender diversity the nominal quantification used to sort out data Hence, FIs where there are no female directors in their board room take a nominal value of ***0***, FIs which have a single female director on their board are assigned a nominal value of ***1*** and the boards of the FIs with more than one female board members are designated nominal value of ***2***.

Table IV (a) One way ANOVA Gender Diversity on ROE

	Sum of Squares	df	Mean Square	F	Sig. (p-value)
Between Groups	0.012	2	0.006	0.214	0.810

Within Groups	0.372	13	0.029		
Total	0.384	15			

Table IV (b) One way ANOVA test Gender Diversity on ROTA

	Sum of Squares	df	Mean Square	F	Sig. (p-value)
Between Groups	0.001	2	0.000	0.449	0.618
Within Groups	0.011	13	0.001		
Total	0.012	15			

Source: Computed from Survey data

Table IV (a) and (b) is ANOVA tests used to see whether or not there were differences in performance due to the number of female directors' differences. As it turned out the probability values of 0.810 and 0618 in t esting ROE and ROTA respectively made it clear that there is no significant difference among the non existence female board directors, the presence of one female director in the boards, and more than one female director serving boards of the FIs. In the end, one can buy the idea that the number of female directors may not matter when it comes to financial performance so long as the case of Ethiopian FIs are taken into account. However, the regulator and supervisor of the FIs in Ethiopia, the Central B ank of Ethiopia, should provide a directive which commands the number of seats that must be reserved for female directors in the board rooms of the FIs as it is the current practice in some countries around the world.

Ethnic Diversity and Firm Performance

Ethiopia is a country of diverse ethnicity and multi-culture. After the downfall of the former socialist government, the country was formally reorganized in an ethnic-based federal system by the 1995 constitution. Currently, in some FIs the composition of the board of directors is found inclining to representing only one ethnic group. While in some other FIs the composition of the board reflects some diversity. In this regard the companies FIs were asked a question whether their board is ethnically undiversified, less diversified or diversified. The response of the concerned selected FIs is summarized in the table below.

Table V Board Ethnic Diversity

How do you explain your board ethnic diversity?	Frequency	Percent	Cumulative
Highly Diversified	6	38	38
Less Diversified	3	19	56
Undiversified	7	44	100
	16		

Source: Survey data