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Role of Corporate Governance Professionals' on Corporate Governance Companies

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Abstract

This work is deliberated to study the segmentation of the clustered company and their compositions with demographic variables of the Corporate Governance Professionals'. The study considered 544 Corporate Governance Professionals who are basically company secretaries and elicited their opinion on the aspect of Corporate Governance. With the help of semi-structured questionnaire, data collection was done through Google forms and participating at various seminar, chapter and circle meetings of ICSI conducted at Southern India. It has already been more than five years of implementation of the Companies Act 2013. Hence an attempt was made to study the opinion of the Corporate Governance professionals on the various aspects of Corporate Governance namely Board Structure (BS), Board Process (BP), Transparency & Disclosure (T&D) and Shareholder Value Enhancement. The socio economic variables were represented by Age, Educational Qualification, Profession, Experience and type of company in which the respondent CG professionals are working. The study found significant difference between clustered companies and their composition with the demographic profiles of Corporate Governance Professionals.

Key Words: Corporate Governance Professionals, Board Structure, Board Process, Transparency & Disclosure, Shareholder Value enhancement.

INTRODUCTION

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The corporate catastrophes which keeps taking place all over the world time and again emphasises the need for disciplined corporate governance and basically cautions that, a well-framed corporate governance system will always make the company tall not only in the minds of stakeholders but also helps to improve the firm value. Though the practice of principled Corporate Governance is at the nascent stage at most of the developing countries, India is not an exception to it. The Developing Countries are takes numerous measures in terms of establishing good corporate governance system by bringing drastic amendments in various Governance related legislations. This makes the role of corporate governance professionals broaden with respect to implementation of such amendments then and there. The role of corporate governance professionals is not only adhering to the enactments but also to safeguard the various stakeholders' interest and effecting smooth functioning of the company. India being a developing country, has replaced the Companies Act 1956 with Companies Act 2013, and has empowered the corporate governance professionals to take the responsibility of proper functioning and implementation of the provisions of the Act. Majority of the studies related to CG indicate that through good corporate governance system brings improved performance than that of company with improper governance system. In India how far it has delivered the result is yet to be validated with extensive research. After the implementation of the Companies Act 2013 it has been five years, hence this paper focuses on the impact of demographic factors of corporate governance professionals on the corporate governance company which combines the four aspects of Corporate Governance namely Board Structure, Board Process, Transparency & Disclosure and Shareholder value enhancement.

CORPORATE GOVERNANCE PROFESSIONALS:

In line with International Finance Corporation (IFC), the study considered Company Secretaries as Corporate Governance Professionals. It considers company secretary of any company not merely an employee. For the purpose of effective implementation of various enactments with fullest integrity company secretaries extend professional and technical skills to the board. Hence they are the people, mainly behind the actual corporate governance.

The PM of India in his address at the Golden Jubilee year of ICSI said, "The Corporate culture in India is decided by the way the Company Secretary Professionals dispose their duties and responsibilities".

Review of Literature

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Ararat et al., (2017) aimed at constructing an extensive corporate governance index for Turkey based companies and predicted the profitability of the firm. The data for construction of the index was collected through secondary source. The authors found that the higher the TCGI higher is the profitability of the company.

Zabri, Ahmad, & Wah, (2016) examined the CG practices among the Malaysian publicly listed companies through the descriptive and correlation analysis. The study pointed out that mixed relationship exists between corporate governance practices and firm performance, i.e., the variable Board structure carries a positive relationship with return on asset (ROA) and negative relationship with return on equity (ROE).

Roy, (2014) examined the relationship of corporate governance variables with two significant proxies of financial indicators namely market to book value ratio (MTBVR) and return on equity (ROE). The study revealed that the corporate governance variables had a strong association with market to book value ratio and return on equity is influenced by the CG factors.

Saeed Akbar (et.al) (2016) studied 435 UK based non-financial listed companies for a tenure of ten years ranging from 1999-2009. They investigated the relationship of firm performance by considering Tobin Q and Return on Asset with and CG variables such as Board of Directors and Committees, and pinned that, the CG variables considered don't influence the UK based firm performance.

Nweke & Bavuudorj, (2015) attempted to test the impact of private ownership on Mongolian based firms' CG practices. To achieve the above objective the authors had collected data through structured questionnaires from 70 companies out of 320 companies. The study identified that there is significant impact of ownership on CG practices of Mongolian based companies.

Mamta Brahmbhatt, Rashesh Patel, Swati Patel, & Professor, (2012) opined that the select Indian public and private sectors banks (BOI, SBI, ICICI and Axis Bank) were adhering the mandatory CG provisions. The researchers also revealed that though select Indian banks follow the mandatory CG provisions, the non-mandatory CG provisions are not followed by the same banks.

Steven Kaplan et al., (2012) focused on the Executive (CEOs) pay and their performance. Generally the executives are paid in a two ways (i.e.,) Grant date value and Realized or actual pay. The executive pay with respect to non-public company, lawyers,

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Investment related service providers etc., is significantly higher than the executive pay of public companies, one of the reasons for the difference is market driven executive compensation.

Ammann, Oesch, & Schmid, 2011) investigated the relationship between corporate governance and firm value in an international perspective by considering Tobin Q and independent variables such as Board Accountability, Financial disclosure, internal control, shareholder rights and Executive remuneration etc,. They concluded that the better CG practices influences the market value of the firms.

Brown et al., 2006) attempted to study the relationship between CG score and firm valuation by considering Tobin's Q value. The regression results indicated that the CG score is depending on the firm valuation.

Dionne & Triki, (2005) analysed the importance of financial knowledge of the board and audit committee of the North American gold mining firm based on the secondary data from 1993-1999. The study revealed that the independence of the board as well as the financial knowledge of the board increases the firm's performance.

Adams & Mehran, (2005) tried to explore the corporate performance and board structure and its determinants. The study used banking firm data from 1959-1969. A total of 32 firm were considered out of 200 firms. The regression results showed a non-negative relationship between board size and the firm performance.

METHODOLOGY

To attain the objective of the study data were collected through semi structure questionnaire constructed with the help of expert opinion considering ICSI Corporate Governance Award Questionnaire 2018 as a base. With the help of Google Forms and participation at various seminars, circle meeting, regional conference etc., 544 responses were obtained from the CG Professionals (Company Secretaries) of India. For the purpose of interpretation, the paper used tools like percentage analysis, cross tabulations, simple average Cluster analysis and Chi-Square analysis, etc. The various components of Corporate Governance considered are the combination of Board Structure, Board Process, Transparency & Disclosure and Shareholder Value Enhancement. The Demographic variables such as, age (below 30, 31-40, 41-50 and above 51), Educational Qualifications (only CS and CS with other Qualification),

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Profession (Practice & Employment) Experience (less than 3 years, 3-8 years and More than 8 years) were taken the demographic profiles of the CG professionals. The opinions of the respondents were collected with five point scale.

Socio Economic Profile of the CG professionals

Particulars		Frequency	Percent
Profession	Employment	344	63.2
	Practicing	200	36.8
	Total	544	100
Age	Below 30	284	52.2
	31-40	139	25.6
	41-50	79	14.5
	Above 50	42	7.7
	Total	544	100.0
Education	Only CS	397	73.0
	CS with Other Qualification	147	27.0
	Triple	544	100
Company Type	Listed	171	31.4
	Unlisted	196	36.0
	Mixed	177	32.6
	Total	544	100.0
Experience	Less than 3 years	198	36.4
	3-8 years	174	32.0
	More than 8 years	172	31.6
	Total	544	100.0

Source: self-made Survey composed by the researcher

SOCIO ECONOMIC PROFILE OF CORPORATE GOVERNANCE PROFESSIONALS

This section presents the socio economic profile of the corporate governance professionals like age, educational qualification, type of profession and company and experience were presented in the above table. The above table depicts that, out of 544 respondents majority of (52.2%) them belong to the age group of less than 30 years and the remaining group like 31 to 40 years, 41 to 50 years and more than 51 years constitute 25.6%, 14.5% and 7.7% respectively. With respect to experience of the respondents a significant number of the CG professionals falls under the category of less than 3 years, nearly one-third of the respondents were in the age group of 3-8 years, and 32% of the respondents come under the category of more than 8 years of experience. Educational qualification were divided into two categories namely only CS and CS

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with other professional qualifications, Only CS means only Company Secretaryship qualification and CS with other qualification means company secretary with an additional qualification of chartered accountant, cost accountant and Law. Out of 544 respondents more than three-fourth of the respondents had single professional qualifications and only 27% of the respondents were having CS with other professional qualifications. The socio economic variable “Profession” was classified into Practice and Employment. Majorities (63.2%) of the corporate governance professionals were in the profession of employment, around 36.8% of the professionals are in practice.

Segmentation of the companies

The opinions of the CG Professionals on the various aspects of the CG namely BS, BP, T&D and SHVE may not be the same. That is based on the demographic profile of the company and its category the CG professions priority on the aspects of CG may vary. Hence grouping of these responses were done with the help of Cluster Analysis. Cluster analysis is considered to be the exploratory factory analysis techniques used to group the data into meaningful categories so as to study its composition and association with other variables.

RESULTS OF FINAL CLUSTER OF CORPORATE GOVERNANCE COMPANIES

Governance Variable	Final Cluster			ANOVA	
	1	2	3	F value	Sig.
Transparency & Disclosure	.88224	-.52545	-.55830	245.139	.000
Shareholder Value enhancement	.02278	.63499	-1.10564	213.641	.000
Board Process	.20710	-.33886	.23154	21.472	.000
Board Structure	.19360	.13704	-.54709	27.081	.000
No of cases	206	212	126		
Percentage	37.87	38.97	23.16		

Results generated by the SPSS based on the primary data.

Based on the final cluster of the K-Means technique the companies were categorized into three categories i.e., a company which considers all the aspects of CG viz., BS, BP, T&D and SHVE were categorized as ‘high corporate governance company’, a company which has positive cluster values on the SHVE and BS were categorized as ‘Moderate corporate Governance company’ and a company which has positive final cluster value on the BP is categorized as ‘low corporate governance company’. The categorized clusters cover 206, 212 and 126 corporate governance professionals in each of the above categorized cluster. The highest F value of the final cluster table infers that the CG Professionals give more priority to the T&D (245.14) and

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the SHVE (213.64) among the other aspects of Corporate Governance and with the significant value of 0.000 reveals that all the aspect of corporate governance are significantly contributing to the categorized companies.

Type of Company based impact on CG Company

Co types with Clustered Company Cross tabulation			Clustered Company			Total
			Good	Moderate	Low	
Co Type	Listed	Count	69	66	36	171
		%	40.4%	38.6%	21%	100%
	Unlisted	Count	80	81	35	196
		%	40.8%	41.3%	17.9%	100%
	Mixed	Count	57	65	55	177
		%	37.9%	39%	23.1%	100%
Chi-Square value						10.24
P value						0.037

Source: self-made Survey

The above table infers that, the impact of company types on the clustered company proves that the Corporate Governance professional working in a listed company, unlisted and mixed companies opined that there was an average level impact at 31%, 36%, and 33% of types of company on the clustered company.

The statistical association of FV with type of company, in which corporate Governance professionals are working, was tested by using Chi-Square analysis. The results of the above analysis resulted on the P value to **0.037** (statistically significant), so the null hypothesis “type of company in which CG professional are working doesn’t influence the Corporate Governance Company” is rejected at 5% significant level.

Age based Impact on CG Companies

Age with CG Company Cross tabulation			CG Company			
			Good	Moderate	Low	Total
Age	< 20	Count	114	110	60	52.2%
		%	40.1%	38.7%	21.2%	100%
	31-40	Count	51	61	27	25.6%

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		%	36.7%	43.9%	19.4%	100%
	41-50	Count	32	27	20	14.5%
		%	40.5%	34.2%	25.3%	100%
	> 50	Count	9	14	19	7.7%
		%	37.9%	39%	23.2%	100%
					Chi-Square value	15.60
					P value	0.016

Source: self-made Survey

The above table depicts that, the age of CG professionals were categorized into four groups namely, age group between less than 30 years, between 31 to 40 years, 41 to 50 years and above 51 years. Among these categories a significant number of respondent covers the age category of less than 30 years (52%) and age group between 31-40 stated (25%). 15% of the respondents falling in the age group of 31-40 and 8% of the respondent falling under the age group of 51-65.

It is found that the P value for the above Chi-Square test is **0.016** is statistically significant, hence it can be inferred that, "Age factor of the Corporate Governance Professionals significantly differ on impact of Corporate Governance company".

Educational Qualification based Impact On CG Companies

Qualification with CG Company Cross tabulation			CG Companies			Total
			Good	Moderate	Low	
Qualification	Only CS	Count	146	161	90	397
		%	36.8%	40.5%	22.7%	100.0%
	CS with Other Qualifications	Count	60	51	36	147
		%	40.8%	34.7%	24.5%	100.0%
					Chi-Square value	1.561
					P value	0.458

Source: self-made Survey

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The survey reported that out of 397 CG professional having single professional qualification is categorized in the following namely Good CG Company (37%), Moderate CG Companies (40%), and Low CG Companies (23%). CG professional who are having CS and other educational qualification opinioned that the impact of educational qualification on the CG company is as follows, high CG company (41%), moderate CG company (35%), Low CG company (24%)..

The statistical association between Educational Qualification of the CG professionals and Impact of CG on the CG Company was tested with the help of Chi-Square. The calculated value is arrived at 1.561 with **insignificant 'P'** value (0.458) and thus inferred that "educational qualification of the CG professions doesn't play a significant role with respect to impact of CG Company.

Profession based Impact on CG Company

Profession With CG Company Cross tabulation			CG Company			Total
			Good	Moderate	Low	
Profession	Employment	Count	129	139	76	344
		%	37.5%	40.4%	22.1%	100.0%
	Practice	Count	77	73	50	200
		%	38.5%	36.5%	25%	100.0%
Chi-Square value						.990
P value						0.610

Source: self-made Survey

For the purpose of analysis the response was collected from two type of profession namely Employment and practice. Both the professions responded that there was an impact of profession of CG Professionals on the CG Company namely Employment (63%) and Practice (37%).

χ^2 test reveal that, there is no significant difference in the Corporate Governance practiced by different professionals on the CG Company. Hence it can be inferred that "type of profession doesn't play a significant role with respect to CG Company.

Experience based Impact on CG Company

Experience with CG Companies Cross tabulation	CG Company			Total
	Good	Moderate	Low	

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Experience	Less than 3	Count	67	88	43	198
		%	33.8%	44.4%	21.8%	100.0%
	3-8	Count	78	65	31	174
		%	44.8%	37.4%	17.8%	100.0%
	More than 8	Count	61	59	52	172
		%	35.5%	34.3%	30.2%	100.0%
					Chi-Square value	11.98
					P value	0.018

Source: self-made Survey

The study proves that the Corporate Governance professional with the experience of less than 3 years, 3-8 years and more than 8 years of experience have experienced that there was a significant level of impact on the CG Company namely 36%, 32%, and 32%.

The statistical association between Experience of Corporate Governance professionals with CG Companies was tested by using Chi-Square analysis. The results of the above analysis resulted on the P value to **0.018** (statistically significant), so the null hypothesis “experience does not play a significant role with respect to FV” is rejected at 5% significant level.

CONCLUSION:

The earlier researchers found that the Corporate Governance is a vital factor which affects the firm value. Though disciplined Corporate Governance practice implemented through Law is at nascent stage in most of the developing countries, India is not exception to it. Conceptually CG professionals are vested with a fiduciary role of advising the board and implementing the good governance practices in their respective firms. Hence the company secretaries being CG professionals must borne in mind that mere compliance of law doesn’t ensure good governance, governance has to be in letter and spirit. The present study is an attempt to examine the socio economic profile of the Corporate Governance professionals on impacting the Corporate Governance categorized companies. Based on the findings of the analysis the opinions of CG professionals were categorized into three namely Good CG Company, Moderate CG Company and Low CG Company, the clustered companies composition were tested with the demographic factors of the CG Professionals, it was found that the socio economic factors such as Age and experience and type of company in which CG professionals working are statistically significant which indicates that these three factors differ significantly with respect to Corporate

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Governance Companies, and other socio economic factors namely Educational Qualification and Profession are statistically insignificant, hence it is concluded that the these factors do not differ significantly with respect to impact on Corporate Governance Companies..

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