

A Comparative Study On Disclosure of Corporate Governance of B.P.C.I. & I O C



Commerce

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ABSTRACT

The Corporate governance structure specifies the distribution of rights and responsibilities among different participants in the company like Board of Directors, Management, shareholders and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs. Corporate governance succeeds in attracting a good deal of public interest because of its apparent importance for the economic health of corporations and society in general. Corporate governance may be defined narrowly as the relationship of a company to its shareholders or more broadly, as its relationship to the society. Transparency in reporting the corporate governance of companies attracts more potential investors to invest in the company. Government identified the importance of the corporate governance and appointed committees on corporate governance.

Introduction:

In recent years corporate governance has attained significance all over the world. Two important factors have led to rapid development in this field, viz, integration and globalisation of financial market and surge of corporate scandals. Now first let us understand what corporate governance is.

What is Corporate Governance? It is system by which companies are directed and controlled by the management in the best interest of stakeholders and others ensuring greater transparency and better and timely financial reporting. Now the second thing which required to be understood is that why corporate governance disclosures are important?

Why Corporate Governance Disclosures are Important?

- Sustainability of business has become critical issue for stakeholders.
- The emergence of global market needs more comprehensive, transparent and proactive disclosure.
- It has become the part of overall leadership of an organisation.

Literature Review:

Cadbury Report defines corporate governance as 'the system by which organizations are directed and controlled', while Tricker (1984, p. 6) suggests that 'if management is about running business: governance is about seeing that it is run properly. All companies need governing as well as managing'. Public sector corporate governance distinguishes itself from its private sector counterpart by the considerable diversity of objectives and management structures in the former. There is a need to address performance as well as conformance issues in public sector governance.

More than 15 articles have been published in top international journal on corporate governance practice in India. There are certain number of papers on corporate governance namely 'Corporate governance disclosure practices in India : empirical study by Madan Bhasin and Adiliya, "Corporate Governance in Public and Private Sector Enterprises: Evidence from India" by Ms. Neeti Sanan.

Research Methodology:

Data has been collected from the annual reports of BPCL and IOC for the last five years. The following was the main objective of research.

Objective of Research:

A Comparative study on disclosures of corporate governance of BPCL and IOC.

Hypothesis:

Null Hypothesis:

Both the IOC and BPCL have no differences in the level of corporate disclosures for the last five years i.e. from 2008-09 to 2012-13.

Sources of Data:

Annual reports of BPCL & IOC from the year 2007-08 to 2011-12

Sample Size:

The data has been collected for BPCL & IOC for the 2 years.

Data Analysis & Interpretation:

The following parameters have been considered for the comparison of BPCL and IOC. The score has been assigned to the following parameters. If the parameter has been disclosed in the annual report it will assign with score 1 and if it is not there parameter will be assigned with score 0. Therefore each company can score maximum 43 points.

The following table shows the score of each company for the last 3 years.

1. Philosophy of Corporate Governance
2. Related Party Transactions
3. Segment Reporting

Board of Directors

4. Executive
5. Non Executive
6. Independent
7. Nominee
8. Background of Directors
9. Experience of Director
10. Directorship in other companies

Board Meetings

11. No of meetings in a year
12. Attendance
13. Agenda
14. Dates of Meeting
15. Attendance of Board Members
16. Last AGM Attendance

Audit Committee

17. Members
18. Role
19. Functions and Power
20. No of Meetings held
21. Attendance

Remuneration Committee

22. Members
23. Role
24. Functions and Power
25. No of Meetings Held
26. Attendance

Shareholders Grievance Committee

27. Members
28. Compliance Officer
29. Functions and Power
30. No of Meetings Held

31. Attendance
32. No of Grievances
33. Grievances Redressed

Risk Management Committee

34. Members
35. Role
36. Functions and Powers
37. No of Meetings Held
38. Attendance
39. Other committees

Means of Communication

40. Quarterly Reports
41. Half Yearly Reports
42. Annual Reports
43. News Release

The detail of total score out of 43 of both the companies for the five years is as follows. The analysis has been done with the help of MS EXCEL. Calculation for the same is given in table I.

Years	BPCL	IOC
2011-12	34	37
2010-11	33	36
2009-10	32	35
2009-08	29	34
2007-08	29	34
Mean Score	31.4	35.2
Standard Deviation	2.30	1.30
T test Value	0.02	

Source : Annual Reports of BPCL & IOC 2007-08 to 2011-12.

From the above table we can see the with the passage of time both the companies have improved for the disclosure regarding corporate governance. BPCL & IOC have score 34 and 37 i.e. highest score in the year 2011-12 and both have least score of 29 and 34 in the year 209-08 & 2007-08 respectively.

Both the companies follow good practice for the corporate governance disclosures.

Based on the above score the test of equality of means was applied to all set of data at 95% level of confidence. From this test analysis the following result was obtain.

Accept H1 which implies BPCL & IOC have no differences in the level of disclosure of corporate governance.

Conclusion:

From this research it was found that both IOC and BPCL are following the corporate disclosure guidelines provided by SEBI. There is no large difference in the scores of both companies for the year 2011-12.

Wherever there are differences they are in describing the roles, functions and powers of the various committees of the Board regarding Corporate Governance.

Table I:

t-Test: Two-Sample Assuming Unequal Variances	Variable 1	Variable 2
Mean	31.4	35.2
Variance	5.3	1.7
Observations	5	5
Hypothesized Mean Difference	0	
Df	6	
t Stat	-3.211586168	
P(T<=t) one-tail	0.00916518	
t Critical one-tail	1.943180274	
P(T<=t) two-tail	0.01833036	
t Critical two-tail	2.446911846	

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