

Corporate Governance Relevance In Corporate Disclosure And Compliance: A Study of Indian Corporates Practicing Indian AS

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Abstract

Corporate governance is considered as the system and framework in which the operations and functions of the company are controlled and directed. In the current scenario, the stakeholders have become a crucial part of the company. Effective corporate governance of the company in relevance with corporate disclosure and corporate compliance promotes trust among the stakeholders and helps in improving the overall performance of the company. The research design has been formulated to analyse the relevance of corporate governance with corporate disclosure and compliance. The research has been conducted using the qualitative research method by using the secondary source of collecting the data and content analysis for analysing the data. To incorporate the relevance of the research topic in Indian corporates practicing Indian AS, the data of Reliance Industries Limited and Aditya Birla Capital Limited has been taken into consideration. The research has been conducted using the inductive approach and interpretivism philosophy. The findings of the study indicated that both Reliance industries limited and Aditya Birla group prepares its financial statement in compliance with the Indian Accounting Standards. RIL uses Indian Accounting Standards 110 to formulate the financial statement while Aditya Birla Group prepares its financial statement in compliance with the Indian Accounting Standards under sections 129 and 133 under the Companies Act, 2013. The corporate governance of both companies complies with the SEBI Regulations, 2015. The code of governance of Reliance ensures transparency, accountability and fairness in the process and transactions of the company. RIL incorporates the framework such as IIRC, GRI, SDGs, TCFD and WEF-IBC metrics and universally acceptable accounting standards to disclose the material information of the company to its crucial stakeholders. On the other hand, Aditya Birla Group complies with the guidance of the Advertising Standards Code of India (ASCI), RBI, SEBI and IRDAI.

Keywords: Corporate governance, accounting standards, corporate disclosure and compliance, accountability.

1. Introduction

1.1 Background of the study

Corporate governance is considered as the system and framework in which the operations and functions of the company are controlled and directed (De Haes, et al., 2019). Corporate governance is the legal framework of the company that guides and facilitates the company to comply with the law of the nation and accounting standards and authentically discloses the financial statement of the company to the crucial stakeholders (Milosevic, et al., 2015). This study facilitates in providing an insight into the relevance of corporate governance in corporate disclosure and compliance.

1.2 Statement of problem

The problem faced by the company is that the companies of India have not been able to effectively manage the governance practices in the organisation. At the same time, the conflict in the Indian AS and IFRS guidelines makes it problematic for the company to authentically disclose the financial elements to the stakeholders complying with the law of the nation (De Haes, et al., 2019). The conflict between the transparency and interest of the stakeholders, remuneration and diversity in the organisation makes it problematic for the company to align corporate governance with corporate disclosure and compliance.

1.3 Objectives of the study

- To determine the concept and theories of corporate governance, corporate disclosure and compliance.
- To analyse the relevance of corporate governance with corporate disclosure and compliance.
- To determine the significance of corporate governance on the proficiency of the company.

1.4 Research question

What is the relevance of corporate governance in corporate disclosure and compliance?

1.5 Structure of the research

The structure of the research is as follows:

- **Introduction:** This part states the background of the research topic along with the statement of problem and research question providing a base to the research study.
- **Literature Review:** This part comprises the opinions and viewpoints of varied authors regarding the research topic along with the research gap fulfilled in the respective study.
- **Research Methodology:** This part comprises the tools, methods, approaches and techniques that have been incorporated to gain the findings of the research topic.
- **Analysis and Findings:** This part presents the outcome and findings of the research fulfilling the research question of the study.
- **Conclusion:** This part presents the summarised outcome of the overall study providing concise findings gained from the research.

2. Literature Review

Concept of Corporate governance and corporate disclosure

As per Bhagat& Bolton, (2019), **corporate governance** is the framework comprising the set of rules, processes and practices that assists the company in controlling and directing the operations of the firm. Corporate governance of the company provides an insight into the authoritative bodies of the organisation indicating the accountability of the management of the company. Effective corporate governance of the company promotes trust among the stakeholders and helps in improving the overall performance of the company.



Figure 1: Corporate Governance
(Source: Lebedeva, et al., 2016)

Chapple & Truong, (2015), stated that **corporate disclosure** is the responsibility of the company to authentically disclose the material information to the external stakeholders of the company assisting them to take their respective decisions regarding the engagement with the company. On the other hand, **corporate compliance** indicates the alignment of the company with the laws of the nation and the accounting

standards (Rose, 2016). Corporate compliance ensures that the company is significantly fulfilling the laws and regulations that are bounded towards the operations of the company.

Research gap

The concepts and significance of corporate governance, corporate disclosure and corporate compliance have been identified by the prior researchers in their study. However, the researchers were unable to align the relevance of corporate governance with corporate disclosure and compliance. Therefore, the relevance of the same has been discussed to fulfil the gap left by the prior authors.

3. Research Methodology

3.1 Research design

The research design facilitates in justifying the methods and approaches used in the research study providing an insight into the process of gathering, analysing and discussing the data in the most effective way to make the research study authentic and reliable (Snyder, 2019). The research design has been formulated to analyse the relevance of corporate governance with corporate disclosure and compliance. The research design provides a framework to enhance the efficiency and reliability of the study.



Figure 2: Research design

3.2 Research method

The research method indicates the method that has been used in the study to gather and analyse the data to incorporate the findings of the research. To analyse the relevance of corporate governance with the corporate disclosure and compliance of the company, the **qualitative research method** has been taken into consideration (Williams & Moser, 2019). The qualitative method has been considered as the study demands the practical relevance of the topic on the Indian corporates practicing Indian accounting standards.

3.3 Data collection and analysis method

To gather the relevance and findings of the research question of the study, **the secondary method of collecting the data** has been taken into consideration to provide the relevance of corporate governance with the corporate disclosure and compliance of the company (Johnston, 2017). To incorporate the relevance of the research topic in Indian corporates practicing Indian AS, the data of **Reliance Industries Limited and Aditya Birla Capital Limited** has been taken into consideration. The data has been analysed using content analysis to incorporate the themes and concepts of the data to provide meaning and relationship to the elements of the study (Wilson, 2016).

4. Analysis and findings

4.1 Data analysis of Reliance Industries Limited

Reliance industries limited is an Indian multinational company dealing in the operations of retail, telecommunication, petrochemicals, energy, mass media, textiles and natural gas and is determined as the largest Indian publically traded company in terms of market capitalisation (Reliance Industries Limited, 2021). The company complies with Indian Accounting Standards 110 to formulate the financial statement. The corporate governance of the company complies with the SEBI Regulations, 2015 to provide an insight into the governance and processes of the company to maintain trust and relationships with the crucial stakeholders of the company. The code of governance of the company ensures transparency, accountability and fairness in the process and transactions of the company. To facilitate the same, the company incorporates the Environment, Social and Governance (ESG) goals in the approach of the company to create and deliver value to the stakeholders of the company (Reliance Industries Limited, 2021).



Figure 3: Corporate Social Responsibilities by Reliance
(Source: Reliance Industries Limited, 2021)

Considering the corporate governance of the company, RIL incorporates the framework such as IIRC, GRI, SDGs, TCFD and WEF-IBC metrics and universally acceptable accounting standards to disclose the material information of the company to its crucial stakeholders. The framework of the company has been formulated aligning with the sustainability standards to ensure greater consistency and comparability to the reporting disclosure of the company’s ESG (Reliance Industries Limited, 2021). The compliance function under the corporate governance of the company ensures compliance with financial, operational and people management systems.

4.2 Data analysis of Aditya Birla Capital Limited

Aditya Birla group is a multinational conglomerate based in India founded in 1857. The group deals in the operations of cement, metals, branded apparel, fertilisers, chemicals, telecom services and financial services and operates in about 26 countries (Aditya Birla Group, 2021). The company prepares its financial statement in compliance with the Indian Accounting Standards under sections 129 and 133 under the Companies Act, 2013. The corporate governance of the company complies with the applicable laws of accountability and equitable treatments towards the stakeholders, protecting the interest and rights of minorities, strategic guidance by the board and timely disclosure and transparency of the financial and governance of the company. The corporate governance of the company complies with regulation 34 (3) with schedule V of the SEBI Listing Regulations (Aditya Birla Capital Limited, 2021).

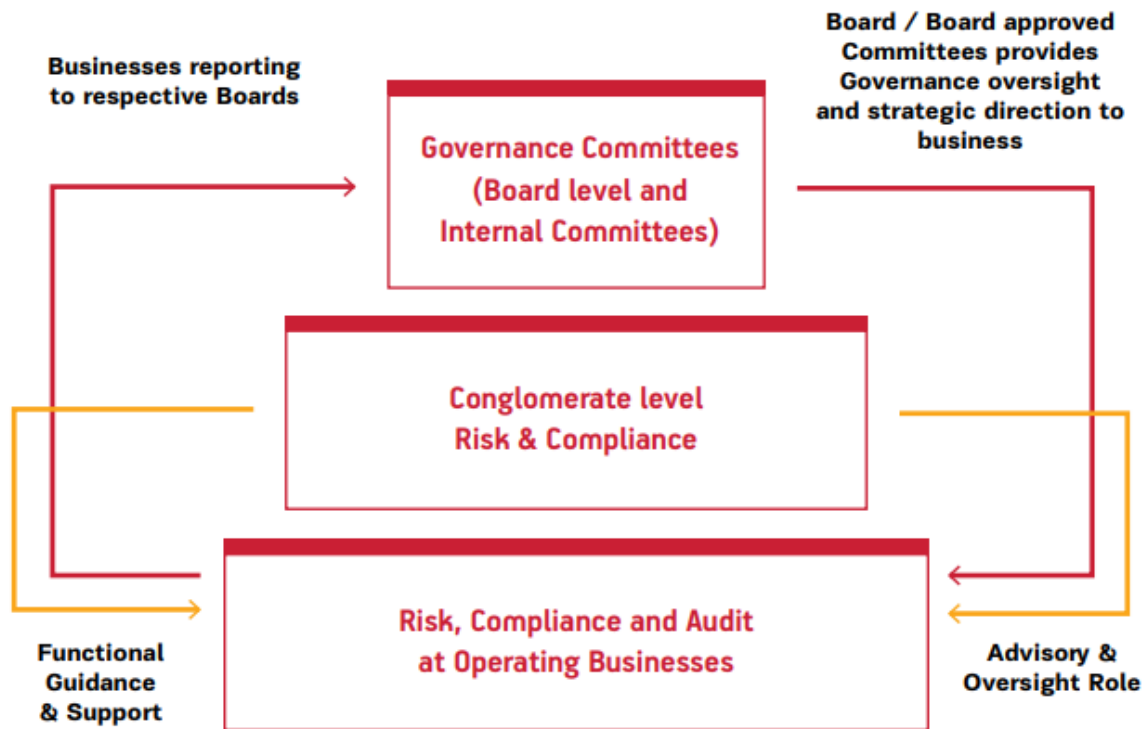


Figure 4: Risk and Compliance
(Source: Aditya Birla Capital Limited, 2021)

The company complies with the guidance of the Advertising Standards Code of India (ASCI), RBI, SEBI, and IRDAI. The above image depicts the framework of the corporate governance and compliance of the company (Aditya Birla Capital Limited, 2021). The Risk Management and Internal Audit approach of the company significantly complies with operational, system and regulatory-related controls and procedures. The compliance of corporate governance of the company is the management's responsibility of the company. The board and senior management comply with the code of conduct in accordance with the corporate governance of the company.

4.3 Discussion

From the above analysis, it has been determined that both the industries comply with the Indian accounting standards and SEBI regulations. RIL incorporates Indian AS 110 while Aditya Birla group incorporates Indian AS under sections 129 and 133 under the Companies Act, 2013. RIL incorporates the framework such as IIRC, GRI, SDGs, TCFD and WEF-IBC metrics and universally acceptable accounting standards to disclose the material information of the company. On the other hand, the corporate governance of Aditya Birla Group complies with regulation 34 (3) with schedule V of the SEBI Listing Regulations. It has been determined that both the companies are inclined towards maintaining the code of conduct and comply the operations of the company with the significant and related laws and regulations to establish effective corporate governance of the company and gain the trust of the stakeholders of the company.

5. Conclusion

From the above analysis, it has been concluded that corporate governance is the framework comprising the set of rules, processes and practices that assists the company in controlling and directing the operations of the firm. Reliance Industry complies with Indian Accounting Standards 110 to formulate the financial statement. The corporate governance of the company complies with the SEBI Regulations, 2015 to provide an insight into the governance and processes of the company to maintain trust and relationships with the crucial stakeholders of the company. RIL incorporates the framework such as IIRC, GRI, SDGs, TCFD and WEF-IBC metrics and universally acceptable accounting standards to disclose the material information of the company to its crucial stakeholders. Aditya Birla group prepares its financial statement in compliance with the Indian Accounting Standards under sections 129 and 133 under the Companies Act, 2013. The

corporate governance of the company complies with regulation 34 (3) with schedule V of the SEBI Listing Regulations.

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