

Abstract of Doctoral Dissertation

Corporate Governance in India with special reference to the Role of Independent Directors in Listed Companies of Andhra Pradesh¹

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I. Introduction

A COMPANY IS a legal person, a body incorporated under an Act of legislature. Governance is the system which controls, directs and guides the actions of a formal body. Shareholders expect management to act in their best interests at all times and adopt good corporate governance practices. According to OECD “Corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.”

The aim of Good Corporate Governance is to enhance the long-term value of the company for its shareholders and other partners. The three key constituents of corporate governance are the Shareholders, the Board of Directors and the Management. The pivotal role in any system of corporate governance is performed by the board which directs and controls the management of a company and is accountable to the shareholders.

The Cadbury Committee Report (1992) and OECD Principles (1999) have strongly advocated the significant role of Independent Directors in ensuring good governance. They are distinct from the Executive Directors who are full time employees of the company. The concept of Independent Director has always been viewed as a monitoring mechanism. Brought in from outside, they are seen as having the ability to bring an independent judgment on the performance of management and the ability to scrutinize management and corporate activity in a detached manner and improved fashion. An independent board is thus an essential element of good corporate governance.

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