

# Corporate Governance Practices In Emerging Countries: An Example Of Russia And India Conceptual Regulatory Framework

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**Abstract:** Corporate governance is a buzz word in business organization. Corporate governance issues are especially important in the developing countries, since these countries do not have strong established financial institution infrastructure to deal with corporate governance. This paper explains the corporate governance practices of developing like Russia and India and need and importance of the best practices to be followed.

**Keywords:** Board of director, Corporate Governance, Regulatory framework, Women directors.

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## I. INTRODUCTION

The corporate governance is a buzz word in the business world. It has become topic of discussion in all academics and business because it is important for the country economic health and financial stability. There are many researches conducted by the researcher in India and abroad which says that's corporate governance leads to improved performance of the business firms. It creates better public image.

Corporate governance is a wider term which includes all other terms in business like corporate social responsibility, corporate financial reporting and business ethics. Corporate governance has become worldwide topic due to the failure, triggered by frauds and scams worldwide. The Asian economic crisis, the continuing turmoil post-1991 reforms, and the experience of the Czech economy have combined onrush the issue of corporate governance all over the world. The failure of Enron WorldCom, Satyam in India and other mega corporations all over the world. The developed country like already have well established corporate governance framework for its corporate and it is working as well, but there are some emerging or developing economies also adopted corporate governance principles by OECD in order to develop more efficiently. The framework of corporate governance depend upon legal and political environment of a country. In Russia federal commission and various recommendation of world bank helps to provide guiding for corporate governance. Similarity in India corporates are regulated by companies act and SEBI's clause 49 of listing agreement deals with guidelines of corporate governance.

## II. OBJECTIVE OF THE STUDY

- To analysis the conceptual framework for corporate governance in Russia and India.
- To know the importance of regulatory framework corporate governance in emerging countries.

## III. REVIEW OF LITERATURE

There is growing need for literature for developing countries. Many studies have been conducted on comparisons of corporate governance in developing nation. The review of literature as follow:

- 1. Shleifer and Vishay (1997) says that corporate governance consists of mechanisms to ensure that suppliers of finance to corporations will get a return on their investment.
- 2. Black (2001) using data from Troika, conducted a study to determine whether corporate governance matters, in terms of share price. He found that it made a huge difference.
- 3. Black (2001), he studied 21 large Russian firms relationship of governance and performance he found a surprisingly strong correlation between firm valuation and the quality of their corporate governance.
- 4. James Fenkner of Troika Dialog, Russia's largest brokerage firm Anon. 2001, suggested that Poor corporate governance policies cause the shares of Russian firms to sell for \$54 billion less than they would if their companies had good corporate governance policies,
- 5. W. McGee Robert (2003) in his studies "corporate governance in transition country Russia" found that Russian financial statements still suffer from a lack of transparency.
- 6. Arcot and Bruno (2007) suggest that because corporate governance is not a *one-size-fits-all* approach, companies that have a valid reason to deviate from best-practices code are no worse governed than companies that blindly comply.

- 7. Federal commission of Russia (2014) Roundtable on corporate governance in Russia discuss key challenges in corporate governance practices in Russia and robust legal and regulatory framework.

#### **IV. RESEARCH METHODOLOGY**

In this paper the research is exploratory research, which tries to show conceptual framework between corporate governance practices of nation. This paper begins with review of literature. The source of information is from various Indian and International journals, *World banks reports*, *SEBI's reports*, Blogs of Russian federation and Indian governments website.

#### **V. ANALYSIS OF CONCEPTUAL FRAMEWORK OF CORPORATE GOVERNANCE**

The corporate governance can be both internal and external, but there are two dilemmas connected with corporate governance problem in transition economies. First, is it possible to have the identical framework that has evolved over centuries in developed market economies for emerging markets, or is it better to adopt the system of corporate governance to a specific circumstance. Second, the dilemma involves the question of appropriateness of mechanism used for corporate governance. Developing countries and transition countries required framework put in place best corporate governance practices.

#### **VI. CORPORATE GOVERNANCE PRACTICES IN BOTH THE NATION**

##### **6.1 Board Responsibility and Governance**

Governance structures and practices should be designed by the board to position the board to fulfill its duties effectively and efficiently. The board of directors, as the central mechanism for oversight and accountability in our corporate governance system, is charged with the direction of the corporation, including responsibility for deciding how the board itself should be organized, how it should function, and how it should order its priorities. The board's fiduciary objective is long-term value creation for the corporation; governance form and process should follow.

- Corporate mission and objective: In both countries the board of director shall be in charge of strategic management of the companies, The board should conduct themselves to bring operational transparency at same time maintain confidentiality.
- Board job description and responsibility: In both the developing nations duty or job of BOD is same to appoint and remove member of executive bodies. In other words reviewing, monitoring, selecting, aligning corporate assets, stakeholders interest and overseeing the disclosure process.

The board responsibility and governance of both countries is same.

##### **6.2. Corporate Governance transparency**

Corporate governance structure and practices should be transparent. To bring transparency in conduct of business for its all stakeholders is the most important principle of corporate governance.

- Corporate governance guidelines and disclosure both the countries disclose their information according to their own regulatory framework guidelines and recommendation
- Content, character and accuracy of disclosure: In India disclosure is according to the clause 49 of SEBI's listing agreement. There is prescribed format for the disclosure. Whereas in Russia there is no such format for disclosure but only it focuses on transparency, timely and fully disclosure of information.
- Disclosure regarding compensation: In Russia remuneration committee exercise the control over the disclosure of information regarding directors compensation. Also it should disclose it in annual reports, whereas in India the strict rule for disclosure of remuneration. It should be disclosed in annual reports, Also the basis for salary should be explained in annual reports.

##### **6.3. Directors competency and commitment:**

- Board membership criteria and director qualification: In Russia the person with impeccable business and good can become board member with basic skills and knowledge and there can be sufficient number of independent directors, whereas in India there is optimum combination of executives and non executives and at least one *women director*. There is focus on board diversity and at least one independent member

#### 6.4. Shareholder Communication

A corporate governance structure should be such which encourage communication with shareholders. Shareholders have a legitimate interest in the governance of their companies. The fundamental role of shareholders in corporate governance is to elect directors capable of directing management in the best interests of the company and its shareholders. Receptivity to shareholder communications on topics relevant to board quality and accountability may prove beneficial in helping to improve mutual understanding while avoiding needless confrontation.

- Board Interaction/Communication with Shareholders, Press, Customers: In Russia there is direct meeting of chairman of the board with its shareholder and there more comfortable and clear information provided to stakeholders. Whereas in India is working towards the best practices to provide adequate and timely information. grievance redressal cells are open. Proper overseeing of activities by board.
- Shareholder Voting Powers & Practices (Confidential Voting, Broker Non-Votes, One Share/One Vote: Both the countries economy encourage the involvement of shareholder in the general meeting and encourage them to vote for the representatives of board.
- There is option given to shareholder to put forth their proposal in general meeting which is called as proxy proposal

#### 6.5. Other point of comparing corporate governance framework are:

- *E-voting*: The shareholders nowadays given option of they vote without attending meeting by electronic means, This was already there in Russia but it is implemented now.
- *Women directors*: In India there is more focus on board diversity including one woman in it. Such criteria is not available in Russia.

### VII. FINDINGS OF THE STUDY

The basic idea behind corporate governance in any economy is to achieve three basic interlinked principles i.e. TRANSPARENCY, ACCOUNTABILITY, RESPONSIBILITY of corporates. The corporate governance practices in both the emerging countries is wide spread and adopted by all the companies. Both the countries basis for adoption of corporate governance practice principle is OECD. Both the countries taking numerous steps for the awareness and adoption of corporate governance practices by their respective countries firms. Both the emerging economies try to bring strong institutional framework for better implementation of corporate governance rule. Regulatory bodies role in proper functioning or adoption of corporate governance is most important

### VIII. CONCLUSION

In emerging economies, the term “corporate governance” is new, yet it has caught on rapidly. A set of formal legal frameworks, often modeled after the Anglo American system, frequently exist. Nearly all firms have the components of corporate governance. However, similarity in corporate governance between emerging economies and developed economies are often more in form than in substance.

Many international organizations are funding corporate Governance initiatives that aim to put developed economies corporate governance model. But *one size does not fit all*, because these models are not designed for local realities and challenges.

In India there is more explained guidelines for continuing corporate governance. And Russia governments making time to time recommendation for effective governance to develop. Government of emerging economies can play an important role in bringing good governance practices by effective institutional framework

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