CORPORATE GOVERNANCE

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Corporate Governance is the necessary part of the corporations. It is regulating corporations through direction, management, controlling and held accountable to their shareholders. It includes the rules relating to the power relations between owners, the Board of Directors, management and, last but not least, the stakeholders such as employees, suppliers, customers and the public at large.

Corporate governance has been **defined** by different persons giving it a varied dimension. According to **Cather wood**, "Corporate governance means that company managers its business in a manner that is accountable and responsible to the shareholders. In a wider interpretation, corporate governance includes company's accountability to shareholders and other stakeholders such as employees, suppliers, customers and local community."

According to **Adrian Cadbury,** the author of the Cadbury Report said "In its broadest sense, corporate governance is concerned with holding the balance between the economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interest of the individuals, of corporations and of society. The incentives to corporations and those who own and manage them to adopt internationally accepted governance standards is that these standards will assist them to achieve their aims and to attract investment. The incentive for their adoption by states is that these standards will strengthen their economies and encourage business probity".

According to **Organization of Economic Cooperation and Development (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 **purpose of corporate governance** system is to improve corporate performance, its accountability and proper relationship between human resources and corporate finance. Its object is to preventing corporate failure.

The **basic principles of corporate governance** are transparency, accountability and independency of corporations and good relationship with shareholders, investors, workers and society.

The **need of corporate governance** is the changing ownership structure of corporation; wide spread of shareholders and investors; protection of shareholders and ensure participation in management; prevention and protection from corporate scams or scandals; huge expectations of society of the corporate sector; new development of hostile take-overs and huge increase in top management compensation and fulfill demand of globalization era, etc.

In India, it is the need of an hour. Indian corporation should be fair and transparent to its stakeholders in all its transactions. This has become imperative in today's globalized business world where corporations need to access global pools of capital, need to attract and retain the best human capital from various parts of the world, need to partner with vendors on mega collaborations and need to live in harmony with the community. Unless a corporation embraces and demonstrates ethical conduct, it will not be able to succeed.