ROLE OF BOARD OF DIRECTORS IN CORPORATE GOVERNANCE

Mr. Kamlesh Kumar Bisen, Dept. of Law

Dr. C.V. Raman University, Bilaspur

ABSTRACT

With the increasing growth and development of the corporate sector, certain measures for good corporate governance are a sine qua non and needs to be adhered by. Amongst contain a list of guidelines provided for an effective corporate governance system, the Autonomy of the Board of Directors is the most salient one and cannot be compromised with. With the corporate system aiming heights, one should not forget the role a board plays in its expansion and progress. The Board needs to be free from any pressure or influence imposed upon it by any senior management, Chairman or the CEO of the company. The company has the duties of performance towards its shareholders for playing an efficient role. Moreover, in the recent times there have been instances where the Board didn't act in the interests of the shareholders or the company as well. The advantage was dragged by the ones in power for their self-benefits. Therefore, this paper also stresses on the needs of the autonomy of the Board of Directors in the effective performance of the company and to also ensure that the interests of the shareholders are not compromised with.

Keywords: Corporate Governance, Board of Directors.

INTRODUCTION

The National Foundation for Corporate Governance (NFCG) set up by the Ministry of Corporate Affairs came up with Corporate Governance Voluntary Guidelines 2009, wherein it lays down a list of measures that would sensitize corporate leaders and pave way for good corporate governance in the country. It is considered to be a highly important step to ensure the stability of the economies and the interests of the stakeholders and shareholders. Due to the reduced inability of corporate governance there is an evident increase in the number of corporate frauds. The thrust on the importance of corporate governance in India was felt after the huge scams that took place in the last two decades. It was then, that the role of the Board and its monitoring was felt for the transparent functioning of the corporate systems. [1]The Board is created so that the directors can perform the function of supervision over the acts of the senior management on behalf of the shareholders. The Board was created in order to prevent the company from such corporate frauds as the Board can easily tackle the problem at its early stages. The role of the Board of Directors is of centric importance which should be performed with utmost transparency and diligence. A company must protect its corporate governance system from dubious penetration of unethical conduct. [2] The Companies Act, 2013 provides that there shall be a Board of Director under section 149. It also enshrines provisions for an effective Board like, for the minimum number of directors, meetings, auditors, disclosures of financial statements, related party transactions and other committees that are to be established, to comply with the provisions of the Act and corporate governance. Clause 49 of the listing agreements guided the corporate governance before the introduction of Companies Act, 2013.

Importance of Corporate Governance:

The performance of Corporate India is the prime objective of many small investors as its performance would lead to their return on investments and ensure financial stability. Sound corporate governance is essential for the growth of Indian economy. To ensure good corporate governance, following conceptual underpinnings for the Board of Directors should be looked at :

1. **High quality information** – To ensure that there is elimination of problems like aggressive spread of good news whereas non-disclosure of bad news, which leads to issues of reliability and asymmetric information, the Board of directors should make sure that this key feature of corporate governance is abided by, as the shareholders and the senior management depend on such information for expressing their views in the General Meeting.[2]
2. **Regulatory Monitoring**- The Board is responsible for taking major decisions on behalf of the company and thereby regular monitoring of its Board evaluation and actions is a proverbial stick to maintain good Corporate Governance.[3]

CONCLUSION

The board of director is the upper hand in the company, who play a major role in maintaining and controlling the management of the company .Corporate governance can only be achieved if the board of director stand on the above point mentioned.

REFERENCE

[1] L. L. Eng and Y. T. Mak, "Corporate governance and voluntary disclosure," *J. Account. Public Policy*, 2003.

[2] S. M. Salleh and R. Othman, "Board of Director's Attributes as Deterrence to Corporate Fraud," *Procedia Econ. Financ.*, 2016.

[3] J. P. Upadhyay, "Sebi plans tame penalties for those violating listing rules," *Live Mint*, 2016.