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RESPONSIBLE CORPORATE GOVERNANCE AND GOOD ACCOUNTING PRACTICES IN A DEVELOPING COUNTRY– A SAMPLE STUDY ON PALAKKAD DISTRICT

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ABSTRACT:

The topic chosen for this particular study is to analyze the importance of responsible corporate governance and good accounting practices. Responsible corporate governance and accounting practices walk hand in hand; one cannot function without the other. Good corporate governance has become the deciding factor that enables business concerns to maintain a strong financial position in their respective markets. Most corporate governance failures in events across the world have usually found that the reason is accounting department at fault. Responsible corporate governance builds the faith of customers in business concerns, thereby leading to lower capital costs in investments. Accountants periodically compile data to report business concerns' internal activities to stakeholders. However, all accounting processes in organizations are rigorously controlled and monitored by certain globally accepted accounting standards and regulations. The paper is completely a conceptual one. Its basic foundation comes from various secondary sources like research articles, scholarly papers, books, various journals, and websites. Responsible corporate governance is defined followed by a discussion of different variant of frameworks of Responsible corporate governance, present status of corporation, accounting and Responsible corporate governance inter relationship, justification with the concluding remarks at the end. Responsible corporate governance is a must for today's complex and dynamic business environment to ensure long-term sustainability. So, it should be practiced regularly and

cultivated within the current structure of the business. Accounting will show us where bad governance generally comes from and the way to proceed with corporate governance financial dissatisfaction and over exercising of power.

INTRODUCTION:

Accounting is a process of recording and compiling financial information for reporting the internal affairs of any entity to different stakeholders at the end of a certain interval. It is the language of business and can play a vital role for ensuring and continuing with good corporate governance. In a global set up, as a discipline, accounting practice is highly controlled by accounting standards. Within a corporate setup it can be used as a tool for ensuring good governance. Here the author tried to devise the way out, how accounting may be used as a tool to ensure and enhance good corporate governance. During the last two-three decades' failure of giant corporate groups strengthens the demand further. Accounting as a discipline is held liable in some of such failures. Still, the believes of the author in such claim against accounting is undue and unfounded. Through this paper the author tries to uncover the issue and to protect it from such unfounded critics. The paper covers the concept of corporate governance, its legal framework, its current status and by establishing governance how accounting may be practiced to protect corporate from corruption.

STATEMENTOF THE PROBLEM:

The actual role of responsible corporate governance and good accounting practices in a developing country can also vary from its ideal role due to the influence of numerous socio-political factors. Existing literature provides Socio-political factors which influences the implementation of various policies and systems in a country include the influence of the government, the nature of owner's monitoring, the capacity of the BOD to perform its role, shared expectations, taken for granted assumptions, norms and routines as well as social and cultural values prevailing in the country.

OBJECTIVES OF THE STUDY:

1. To analyse the role of responsible corporate governance and good accounting practices in a developing country.

2. To examine the influence of numerous socio-political factors in responsible corporate governance and good accounting practices.

RESEARCH METHODOLOGY:

Research Design: Descriptive and Analytical research design.

Source of Data: The study is based on primary data collected and secondary sources.

Sampling Unit: The participants of the study included members of the board (3), accountants (8) and managers (4) in the case organization.

Sampling Technique: For data collection convenience sampling is used to select samples.

Sample Size: 20 respondents.

Data Collection Technique: Data for the study were collected from two sources: semi-structured interviews and publicly available documents. Fifteen semi-structured interviews were conducted over a period of 2 weeks.

REVIEW OF LITERATURE:

1. The Millstein Report (1998) She observes that corporations do not succeed by consistently neglecting the expectations of the other stakeholders but at the same time neither can they attract much needed capital from the equity markets if they fail to meet shareholders' expectations of a competitive return. So in order to successful corporations from the corporate governance perspective to strike the right balance between the interests of shareholders and the interests of the other stakeholders is necessary.

2. Gregory and Simms (1999) Noted by the quality of corporate governance is important since it has a direct impact on the efficiency with which a corporation employs assets, to attract low-cost capital, to meet the expectations of society and its overall performance.

3. Hopper et al., (2009) Institutional theory suggests that organizations often adopt various institutional arrangements. The existence of such practices in an organization does not necessarily suggest their effective use for the intended purposes because their effectiveness tends to depend on various socio-political and institutional factors.

4. Waweru et al. (2011) Point` out that some cultural features of developing countries may entail different corporate governance arrangements. This leads to the political reality of corporate governance in public sector entities in developing countries is often more complicated according to the functionalist view.

5. Turnbull (2008) The author explained by including all types of firms irrespective of their legal status, ownership, and whether they are privately or publicly traded, that what constitutes corporate governance from market oriented publicly traded firms. Due to the involvement of various factors including cultural priorities, associations, trade, vocational, family, social and political networks etc. in economic transactions of firms leads to the market-based theory of the firm become less relevant.

LIMITATIONS OF THE STUDY:

1. Sample size used for the study is small.

2. Corporate Governance changes from time to time with the advancement in the technology.

ANALYSIS AND INTERPRETATION:

Table 1 The details of the participants of the study were analyzed in three interactive processes as suggested by Miles and Huber man (1994), namely data reduction, data display, and conclusion drawing and verification.

TABLE 1 : PARTICIPANT IN THE STUDY

Given designation	Number of years served
Director-1	Less than 10
Director-2	Less than 10
Director-3	Less than 10
Manager-1	More than 30
Manager-2	More than 30
Manager-3	More than 30
Manager-4	More than 30
Accountant -1	More than 30
Accountant – 2	More than 20

Accountant -3	Less than 10
Accountant -4	More than 30
Accountant – 5	More than 30
Accountant -6	More than 25
Accountant -7	More than 20
Accountant -8	More than 20

Source: Primary Data

INTERPRETATION: Out of 15 respondents 3of them are directors having below 10 years' service ,4 of them are managers having more than 30 years' service and 8 accountants having more than 20 years' service.

TABLE 2 : SHOWING ROLE OF RESPONSIBLE CORPORATE GOVERNANCE AND GOOD ACCOUNTING PRACTICES

Stakeholder groups	Complex relationship with others	Point of conflict	Nature of confliction	Remedies (accountants point of view)
Shareholders/ owners	Shareholders vs. board	In comparison with their function Boards are paid more.	Agency problem	Give more importance to the study on salaries at board and management level.
	Shareholders vs. management	In comparison with their functions Management is highly paid.		
			Tunneling	By appropriate disclosure, like ,minority interest etc. can reduce the gap.
	Shareholders vs. shareholders	At the expense of minority shareholders controlling shareholders expropriate the firm's assets.		
Board of directors	Board vs. shareholders	Boards are held responsibility for sustainability but not rewarded accordingly	Reverse agency problem	May work to stream line the payment on the basis of job study
	Board vs. management	The efficiency of Management is enough to carry out the policy as set and delegated by the board	Goal congruence crisis	May help management to carry out the policies timely by strategic planning and budgeting
	Board vs. regulatory authorities	Regulatory authorities are not supportive rather show and sometimes	National policy crisis	Professional accounting bodies may help the

		disturb the activities		regulatory authorities to frame supportive rules ,codes and regulation
Management	Management vs. board	The gap between the Board and Management widens because the Board always wants to exert power on Management.	Power crisis	By working as an intermediary can reduce the confliction
	Management vs. shareholders	Management is held responsible for the owners but not paid accordingly	Mini agency problem	The problem can reduced by helping to devise authority, responsibility, and duty relationship in a proper way .
Regulatory authorities	Regulatory authorities vs. board	Confliction arises on the ground of compliance of various rules ,codes ,principles etc that various regulatory authorities requires	Non compliance	May act as a compliance expert to suggest the board and management regarding the ways of complying various requirements as they are a part of designing such requirements
	Regulatory authorities vs. management			
Customers	Customers vs. board	Customers want quality product at a cheaper price but the board or management never give respect to the voice of customers that results massive dissatisfaction	Demand supply mismanage ment	Can justify the commitment of the board or management to the customers ,if any ,through disclosures like value added statement ,boards commitment to customer to reduce the dissatisfaction to a greater extent
	Customers vs. management			

Source: Primary Data

INTERPRETATION:

In order to materialize the personal interest when people in different position sacrifices the corporate wide goals it leads to the agency problems. Where majority shareholders capture minority shareholders, is a situation of Tunneling. The avoidance of different local, regional and international laws, regulations, codes, treaties or other requirements originate the Non-compliances. The power or ego crisis at top level management which may turn hundreds years' achievement into zero in a day. These different type of problems that corporations face and bad governance gets scope to spread over the organization. The last column of the table shows accountants' role in such a situation when different stakeholder groups got involved with confliction. A code of conduct for accountant with defined power, authority and responsibility may be in the form of a manual will lead to get such a benefit.

THE IMPORTANCE OF RESPONSIBLE CORPORATE GOVERNANCE:

After globalization and the increasing complexity of business there is a greater reliance on the private sector as the engine of growth in both developed and developing countries. Due to economic growth and development contributed by Corporations, which are legal entities created by societies, leads to improved standards of living as well as the alleviation of poverty. A stable political systems and the quality of corporate governance is important since it has a direct impact on:
a. The efficiency with employs assets of the corporation.
b. Its ability to attract low-cost capital.
c. Ability to attain the expectations of society.
d. Its overall performance.

THE COMPONENTS OF RESPONSIBLE CORPORATE GOVERNANCE :

In the developed countries, the elements of responsible corporate governance include well positioned and regulated securities markets; laws which recognize shareholders as the legitimate owners of corporations. More than that, the developed countries also have well-developed private sector institutions such as investors, professional associations of directors, corporate secretaries and managers, rating agencies, securities analysts and a sophisticated financial press. Corporate governance must focus on four important areas, it to be effective in attracting capital by:

a. **Equality** Protection of shareholder rights can be strengthened by ensuring the enforceability of contracts made by the providers of capital.

b. **Transparency** The timely disclosure of adequate, clear and comparable information concerning corporate performance, governance and ownership.

c. **Accountability** The governance roles and responsibilities and by means of voluntary efforts to ensure the convergence of managerial and shareholder as monitored by the board of directors.

d. Responsibility Ensuring corporate compliance with other laws and regulations reflecting the extent society's values.

CONCLUSION:

Responsible corporate governance is a must for today's complex and dynamic business environment to ensure long-term sustainability. Corporations that genuinely recognize and embrace the principles of 'responsible governance' will derive enormous benefits, the availability and lower cost of capital, the ability to attract talent clients and truly sustainable long-term growth. There is a heightened awareness worldwide that responsible corporate governance as manifested by transparency, accountability as well as the just and equitable treatment of shareholders is now a pre-requisite towards efforts to promote sustainable development. At the same time, every corporation has its own corporate culture and business goals. Therefore, at this point in time, to get a consensus on a single model of corporate governance or a single set of detailed governance rules is both unlikely and unnecessary. In futures the capital market will lead to increasing convergence in practice between countries.

Hence surely accounting will show us the way to achieve corporate governance as financial dissatisfaction have been major reason for bad governance and over exercising of power.

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