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RESEARCH ARTICLE

CONVERGENCE OF CORPORATE GOVERNANCE IN INDIA; A FALLACY OR REALITY

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ABSTRACT

It is undeniable fact that, the drive for good corporate governance (CG) practice has cause global reforms in corporate governance towards a single model. This study has taken both theoretical and empirical analysis to demonstrate the reality of convergence in India. With NIFTY companies as sample size, the study found out that, Clause 49 has many similarities with Anglo-American model, while in practice the same can be said with constraints. Ownership structure and poor enforcement of regulations are the major constraints of Indian convergence to Anglo-American model. The study therefore shares similar thoughts with Asfraipur (2009) that, Anglo-American model is dominant in principle but restricted in practice.

INTRODUCTION

It is a truism that, globalisation is a magnet which is attracting all facets of business to one direction including corporate governance (hereinafter refer to as CG). Global free flow of capital as well as multi-nationalisation of companies, are known to be the major force for the convergence of CG. With increasing international harmonization of business standards such as accounting and auditing, there is no doubt on the convergence of CG.

In their quest to attract global capital inflows, India has taken steps to strengthen its governance practice. Literature shows that most of these steps by India such as Clause 49 are adoption of good practice in UK and USA, hence India is moving towards the Anglo-American model. This assumption has been proven mostly from theoretical perspective. What is missing in literature is empirical evidence to support this general assumption. This study therefore has the ultimate objective to fill this gap by empirically analysing CG practices by NIFTY companies as a comparison with the Anglo-American model.

Objectives of the study

- To establish the convergence or otherwise of Clause 49 to Cadbury Report and Anglo-American model.
- To determine the extent of compliance of Clause 49 among India companies.
- To identify convergence of CG practice by India companies
- To determine path dependence if any to CG convergence in India.

The next section gives the background to the study which includes, the various model and the history of Indian CG principles. The study then takes on the debate of cg convergence in the form of literature review followed by the methodology. Other sections include analysis and discussions which is bifurcated into theoretical and empirical. The conclusion brings out some of the constraints to CG convergence in India and area for further research.

Background of the Study

Corporate governance is the system by which companies are directed & controlled (Cadbury report 1992). Corporate Governance is the system of control mechanisms, through which "the supplier of finance to corporations assures themselves of getting a return on their investment," (Shleifer and Vishny (1997)). In simple terms CG is the governance of corporate in the best interest of all stakeholders.

Two distinct CG regimes have emerged from contemporary scholarship. Insider governance with concentrated ownership and single controlling shareholders like state, family or financial institution, and the outsider model with dispersed ownership shaped by shareholders interest as primary objective. While the Anglo-American is associated with the outsider regime, Japanese and German models are built on the insider regime.

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Anglo-American Model: Proposed in America and practiced by America, England, Canada and Commonwealth countries. It is a single-tier board system where all executive and non-executive directors participate in varying corporation. The ownership of the companies is more or less equally divided between individual shareholders and institutional shareholders. Directors are rarely independent of shareholders because shareholders appoint them. Most institutional investors are reluctant activist. They don't take active part in the day to day activities of the business. The major players are the shareholders, BOD and Management

Japanese Model (Business Network Model)

This is based on the Japanese's cultural network called Keiretsu (industrial groups linked by trading relationships as well as cross-shareholdings of debt and equity) The reality of power in the enterprise lies in the relationships between top management in the companies in the keiretsu. The shareholders appoint 50% and financial institutions such as banks appoint 50% of the BOD. There is two tier board system viz. supversory and subsidary with President linking both boards by rectifying and consulting among the boards financial institutions and corporations firmly hold ownership of the equity market. The four key players are: main bank (a major inside shareholder), affiliated company or *keiretsu* (a major inside shareholder), management and the government

Germany Model

Originated from Germany and practice mostly in Europe. It involves two boards the upper (supervisory board) and lower (management board), supervisory board composed of labour/employee representatives and shareholder representatives, management board (composed entirely of insiders, that is, executives of the corporation). The two boards are completely distinct; no one may serve simultaneously on a corporation's management board and supervisory board. The size of the supervisory board is set by law and cannot be changed by shareholders. The upper board supervises the lower board on behalf of the shareholders. It is societal model because it gives some roles to the society such as labour unions. Labour unions appoint 50% of the supervisory board and shareholders appoint 50% thought shareholders have 100% ownership. German banks, and to a lesser extent, corporate shareholders, are the key players. German banks and corporations are the dominant shareholders in Germany.

Historical Perspective

Since independence in 1947, Indian had been running manufacturing activities, developing banking and functioning stock exchange governed by British driven CG conventional practices. Until 1991, the government was the major investor with socialist policies. The securities Exchange Board of India (SEBI), the capital market regulator was established in 1992 in the awake of 1991 fiscal crisis in the country. This move allowed Indian firms to seek equity capital to finance expansion which contributed to the steady growth of the economy. The introduction of equity capital necessitated the reform in CG from mid 1990's.

The Confederation of Indian Industry was the first to launch code of CG in 1998 with voluntary compliance status. The code was drawn heavily from the Anglo-American model. SEBI also took up the challenge in 1999 to set-up a committee under the chairmanship of Kumar Mangalam Birla to raise the standard of CG. Some of the recommendations of the committee were the mandatory inclusion of independent directors on the board and the establishment of audit committee by the company boards. After the ratification of Birla Committee Report by SEBI, key recommendations were incorporated into the Listing Agreement of Stock Exchanges as Clause 49.

Department of Company Affairs under Ministry of Finance and Company Affairs also formed the Naresh Chandra Committee in 2002, following the enacted of Sarbanes Oxley Act in USA. The committee place major emphasis on disclosures, independent auditing and board oversight responsibilities on management.

SEBI again set up the Murthy committee under the chairmanship of Infosys chief mentor N.R. Narayana Murthy in a responds to the Enron scandal in the USA, to review Clause 49 in order to improve the CG standards. Like its predecessor, the committee pointed out global experience as a motivating factor for the reform. The committee mirrored the recommendation of Birla Committee's Report with much focus on the role and structure of the board in addition to clearer definition of independent directorship. They also recommended the training of directors and disclosure of related party transaction as well as the whistle blowers policy. Although Clause 49 was enacted in 2000 with Birla Committee recommendations, the current status of Clause 49 is in response to the Murthy Committee report.

The historical perspective discussed above indicates that international experience especially from US and UK are the motivation for Indian CG reforms. Further, the two eminent committees, Birla and Murthy singled out Cadbury Report, Combined Code of London, Blue Ribbon Report, which are domicile in Anglo-American economies as the reference points. This shows that convergence of Indian CG towards the Anglo-American model started since the reformation of CG practice in the country.

Indian Clause 49 of Listing Agreement of Stock Exchange

Clause 49 of the Listing Agreement of Exchanges in India is the dominant mandatory and non-mandatory recommendations of CG practice for Indian listed companies. It was enacted by the SEBI in 2000 as part of the listing requirements and it contains 8 sections including non-mandatory standards. The following are summarised version of the 8 sections.

Board of directors

The composition of the board must include 50% independent directors if chairman is executive or promoter or 1/3 if the chairman is independent. There must be at least 4 meetings during the year.

Audit committee

There should be an independent audit committee with minimum 3 directors with financial literacy. At least 2/3 along with the chairman should be independent directors.

Subsidiary companies

At least one independent director on the Board of Directors of the holding company shall be a director on the Board of

Directors of a material non listed Indian subsidiary company.

Disclosures

Complete information on the following; related third party transaction, accounting standards and treatment, risk management, public, right, preferential issues of shares, remuneration of directors, MD&A appointment of directors must be disclosure to shareholders.

CEO/CFO certification

These officers are required to certify by way of signature of the establishment of internal control, provision of necessary information to the audit committee, review of financial statement and cash flow statement.

Report on CG

There shall be a separate section on Corporate Governance in the Annual Reports of company, with a detailed compliance report on Corporate Governance. Noncompliance of any mandatory requirement of this clause with reasons thereof and the extent to which the non-mandatory requirements have been adopted should be specifically highlighted.

Compliance

The Company shall obtain a certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance as stipulated in this clause and annex the certificate with the directors' report, which is sent annually to all the shareholders of the company. The same certificate shall also be sent to the Stock Exchanges along with the annual report filed by the company. The non-mandatory requirements given in may be implemented as per the discretion of the company.

Non mandatory

The company is at its discretion to create office for non-executive chairman, establishment of remuneration committee, training of Board of Directors and setting up whistle blower policy.

The Debate on Convergence of Corporate Governance

There is no single CG model in the world because all CG models have survived the test of time and its economies have prospered equally (Shleifer & Vishny), therefore no argument has evidently answered the question as to which CG is effective or good (Sharma 2012). Failure of prominent companies' viz. Enron and World com among others shows some flaws in the Anglo-American model. Balasubramanian (2005) opines that ancient text of India has sound governance principles which are still applicable in present day. Similarly Chakrabarti (2008) reports that policy makers and regulators overburden courts with adopted codes elsewhere which increase corruption due to lack of consideration for the Indian environment.

By and large, research conducted on convergence points the dominance of single-tier board (Anglo-American model) which gives a conclusion that the future of global CG is Anglo American. The Anglo-American model is the endpoint of evolutionary development for is both desirable and inevitable (Afsharipus 2009). Denb et al (1992) shows that even some the board of German and Japan are moving towards the single tier board. This is affirm by Yoshimoni (1995) which indicates partial convergence among Japanese companies and Kanda (1997), who demonstrate that shareholding is more market driven in Japan recently as compared with the relationship driven in the past. Japan has also amended its Company law in 2002 to allow companies to voluntary adopt UK/US style of board structures. Studying CG practice in developing countries, Mukhejee (2002) argues that modification in laws and regulations of these countries signifies Anglo-American model. The attracting force of Anglo-American is its simplicity of single board with open market driven which generate efficiency of management. The competitive pressure of globalization is also an accelerating tool for the convergence (Sharma 2012). As shareholders mechanism of CG dominates globally, CG model will move towards the Anglo-American since it focuses on shareholders' interest and protection more than the other stakeholders.

In their opinion Khanna et al (2004) the international accepted CG practices by standard settings such as OECD and multinational companies is a testimony to heightened interest in convergence issue. A first glance at the various reforms and structures of these countries CG practices give a sight of convergence towards the Anglo-American

Notwithstanding, the strong indicators of convergence, some researchers argue that, there is thwart of convergence due to path of dependence of the economies. Bebcbuk and Roe (1992) has identified structure driven and rule driven as some of the blocks of convergence. That is existing ownership structures in a country and corporate regulations which are usually developed from initial structures, traditions and culture hinders convergence. Afsharipour (2009) documents the following as some of the barriers to convergence in India; inter-agency struggle between Ministry of Corporate Affairs and SEBI in regulations, ownership structures and weakness in the judicial system.

Whereas China has high level of state ownership structures, Indian ownership structure is concentrated with family and friends. Krishna et.al (2002) also classifies the convergence into de facto (adoption) and de jure (actual practice) convergence

Nations may adopt CG system as it is elsewhere but the acceptance of the enshrined principles may significantly lag their codification due to inadequate institutions coupled with poor enforcement (Afsharipour 2009).

RESEARCH METHODOLOGY

With all listed companies on the National Stock Exchange of India as population, a quota sampling size of the NIFTY companies was selected for the study. The NIFTY which represent top fifty companies in terms of capitalisation and daily trading activities also includes the Bombay Sensex, another basket of top thirty companies on Bombay Stock Exchange in India. The NIFTY is a widely used capital market indicator in India to measure the performance of shares and general economic well being of the country.

The NIFTY companies cut across the entire major sectors of India; hence it is justifiable to be the sample size because it reflects the Indian corporate segment.

Since the purpose of the study is to know the `current level convergence in Indian, point data of 2012-2013 annual reports of companies where used to extract information to generate the data for the analysis.

The study first takes a theoretical perspective by comparing Clause 49, the major CG regulations with Cadbury report, the most referred report in CG and the Anglo-American model. CG variables such as ownership structure, board size, independent directors, committees, disclosures among others were extracted from the various annual reports to check if companies are practicing the recommendation laid in Clause 49.

ANALYSIS AND DISCUSSION

Theoretical analysis

Clause 49 and Cadbury report

The Anglo-American is a model of CG practice that focuses on outside shareholders protection while Cadbury Report is a set of recommendation on CG practice which is mainly used in most Anglo-American model. Therefore the Cadbury Report is synonymous to the Anglo-American model.

The Financial Reporting Council in collaboration with London Stock Exchange and Accounting Profession formed a committee on the financial aspects of CG under the chairmanship of Sir Adrian Cadbury in 1991. The Cadbury report which has been referred to as the CG code of the modern era emphasises board composition and duties, the audit committee and many other issues. A sight of clause 49 shows significant similarities with Cadbury Report especially in board structures.

Both Clause 49 & Cadbury Report general address board matters and audit committee extensively. While Cadbury Report is open-ended with a requirement of at least 3 non-executive directors, Clause 49 requires majority of board members to be independent. Cadbury Report is also general on board procedures and responsibilities; Clause 49 on the other hand is specific on these matters but not broad in scope. Both codes make similar recommendations on audit committee with same minimum number of 3 directors.

Although both standards encourage consistent disclosures, Clause 49 covers a greater extent in scope than Cadbury Report; nonetheless they share several common features. Disclosures on directors' remuneration, accounting standards and CG compliance are common features for both. While Clause 49 requires separate Management Discussion and Analysis (MA&D), as part of annual report, Cadbury general states it as Chairman's opening statement with its constituents similar to MD&A in Clause 49

The comparison in the table 1 shows that Clause 49 which is the major CG rules of listed companies' shares many similarities with the Cadbury Report for that matter Anglo-American model. This conclusion is in line with the findings of Sharma (2012), Afsharipour (2009). They further argue that Clause 49 is just a replica of Cadbury Report in Indian context. The similarities between Clause 49 and Cadbury can be attributed to the fact that, it was a major reference point for the committee. Again due to its global presence it was very much used by companies before Clause 49. The only difference in the comparison is the whistle blower's policy which is not available in the Cadbury report. Whistle blowing may not have been crucial in the corporate sector during the time of Cadbury report as compared with Clause 49 period.

Table 1 Comparison between Clause 49, Cadbury Report and Anglo-American Model

Sn	Parameter	Clause 49	Cadbury	Anglo-american
1	Board type	Unitary	Unitary	Unitary
2	Independent Directors	50%	Three (3)	Available
3	Audit Committee	Mandatory	Mandatory	Available
4	Remuneration committee	Non-Mandatory	Mandatory	Available
5	Code of conduct	Mandatory	Mandatory	Available
6	Disclosures	Very broad	Sufficient	Comprehensive
7	CG Report	Mandatory	Mandatory	Available
8	Whistle blower	Non-mandatory	Not available	Not Available

Another interesting similarity is the disclosure norm. Anglo-American model is associated with both stringent and comprehensive disclosure. Therefore any practice that involves more requirements on disclosure shares a major characteristic with it. Clause 49 requires a strong disclosure though not fully comprehensive as compared with the American model, yet it indicates strong signal with the Anglo-American model. From the analysis, it can be said that Clause 49 and Indian CG in generally in principle demonstrate close features of Anglo-American model.

Empirical analysis

Ownership structures

The ownership column of table 2 shows that there is high level of ownership concentration in the NIFTY companies. These shares are in the hands of promoters and promoter groups Promoters/promoters group are all individuals, families, corporate bodies or institutions who founded or promoted the company and are presently in control of the company and their relatives. In control means owing more than 20% in equity of the company. For the sake of this study promoters/promoters group includes both Indian based and foreigners (SEBI).

The dominant promoters are the government and family (Hindu Undivided Family HUF). 26 out of the 50 equivalent to 52% of the companies have more than 50% of its shares with single promoter group mostly family or government. There are 11 companies whose ownerships are concentrated with body corporate. Board corporate by legal definition are separate entity but a critical look in the India context reveals that the body corporate are made up of families. Government of India holds promoter ownership in 8 of the NIFTY companies while foreign firms have only one company. None of the government shareholding is less than 55% shares of any of its companies. While ICICI bank doesn't have records of promoter ownership, Coal India has a high government promoter ownership of 90%. Another interesting fact findings on the ownership concentration is the cross holding among companies. Most of the companies belong to conglomerates or single family with same stream of ownership. While Tata Steel, Tata Power, Tata Motors and TCS lies in the hands of Tata & Sons as major shareholders, Grasim and Ultratech also belongs to the Adiyta Group of companies with same ownership power. TechMahindra and Mahindra Motors belong to the Mahindra group. Major Banks such as SBI, Bank of Baroda, Punja bank in the NIFTY has government as its promoter and major shareholder.

Table 2 CG in practice as reported by the NIFTY companies as at 31/3/2014

Company name	OwnershConc.%	Board size	Independ. Directors	Audit comm.	Remuneratio. committee	Nominatio committee	Code of conduct	Whistle blower	Pay disclosur
ACC	50.30 C	12	6	Yes	Yes	No	YES	No	Yes
Ambuja	50.60 C	12	8	Yes	Yes	No	Yes	Yes	Yes
Asian Paints	52.79 C	15	8	Yes	Yes	No	Yes	Yes	Yes
Axis Bank	20.78 G	14	7	Yes	Yes	Yes	No	No	Yes
Bajaj Auto	50.02	16	9	Yes	Yes	No	Yes	Yes	Yes
Bank Baroda	55.41 G	13	6	Yes	Yes	Yes	No	No	Yes
Bha Electrical	67.7 G	16	9	Yes	Yes	Yes	No	No	Yes
Bharat Petrol	54.93 G	9	2	YES	Yes	Yes	No	No	Yes
Bharati Airtel	45.75	13	7	Yes	Yes	No	Yes	No	Yes
Cairn	58.68	8	4	Yes	Yes	Yes	Yes	Yes	Yes
Cipla	36.8	9	6	Yes	No	No	Yes	No	Yes
CoalIndia	90 G	15	7	Yes	Yes	No	No	No	Yes
DLF	75	9	5	Yes	Yes	No	No	Yes	Yes
Dr.Reddy	23.39	10	8	Yes	Yes	Yes	Yes	Yes	Yes
Gail	57.34 G	11	3	Yes	Yes	No	No	Yes	Yes
Grasim	25.53	12	6	Yes	Yes	No	Yes	No	Yes
HCLTech	61.92	11	9	Yes	Yes	Yes	Yes	No	Yes
HDFCBan	97.38 C	4	0	Yes	Yes	Yes	No	No	No
Hindalco	32.06	10	7	Yes	Yes	No	Yes	No	Yes
HinduUnilive	52.48 C	9	5	Yes	Yes	Yes	Yes	Yes	Yes
HDFC Ltd	73.87 F	14	10	Yes	Yes	Yes	Yes	Yes	Yes
ITC ltd	33.44 C	18	11	YES	Yes	Yes	Yes	Yes	Yes
ICICI	-	12	8	Yes	Yes	Yes	Yes	Yes	Yes
IDFC	48.52 C	12	7	Yes	Yes	Yes	Yes	Yes	Yes
Indusl Bank	15.9	10	6	Yes	Yes	Yes	No	Yes	Yes
Infosys	16.04	14	8	Yes	Yes	Yes	Yes	Yes	Yes
Jindal	59.07	13	3	Yes	Yes	Yes	Yes	Yes	Yes
KotakMh	45.20	9	5	Yes	Yes	Yes	Yes	Yes	Yes
L&T	32.09 C	16	9	Yes	Yes	Yes	No	Yes	Yes
Lupin	46.93	10	5	Yes	Yes	No	No	No	Yes
M&M	25.98	13	10	Yes	Yes	Yes	Yes	No	Yes
Maruti	56.21 C	12	4	Yes	No	No	Yes	No	No
NMDC	80 C	12	4	Yes	No	No	No	Yes	Yes
NTPC	84.50	18	9	Yes	Yes	No	Yes	No	Yes
Oil&Gas	68.94 G	16	7	Yes	Yes	Yes	Yes	No	Yes
PoweGrd	69.42	14	7	Yes	Yes	No	Yes	Yes	Yes
PunjaBk	57.87 G	12	7	Yes	Yes	Yes	Yes	Yes	Yes
Reliance	45.34	15	7	Yes	Yes	No	Yes	Yes	Yes
Seasa	55.13	6	4	Yes	Yes	No	Yes	Yes	Yes
SBI	62.30 G	13	10	Yes	Yes	Yes	Yes	No	Yes
SunPh	63.65	9	5	Yes	No	No	Yes	No	No
TCS	73.75	11	6	Yes	Yes	Yes	No	Yes	Yes
TataMot	25.93	12	6	Yes	Yes	Yes	No	Yes	Yes
TataPWR	32.47	12	6	Yes	Yes	Yes	Yes	Yes	Yes
TataSteel	31.35	13	7	Yes	Yes	No	Yes	Yes	Yes
TechMh	47.41	10	7	YES	YES	Yes	Yes	Yes	Yes
Utratech	62.01	12	6	Yes	No	No	Yes	No	Yes
WIPRO	54.02 C	13	10	Yes	Yes	Yes	Yes	Yes	Yes

From the above analysis, it is clear that ownership structure of the NIFTY companies indicates more of the Janpanese model than the Anglo-American model. While the Anglo-American model advocates for disperse ownership with high level of liquidity, the reality of Indian companies as shown by the NIFTY is highly concentrated among family and government. Hence convergence towards the Anglo-American model in terms of ownership is a fallacy as at now...

Board Structures

Until the passing of Company Act 2013, which has set limit for board size, there was no such restriction on board size unless a sectoral regulations such as Banking Act 1949. The board size of the NIFTY companies ranges from four to eighteen members with most of the companies having more than ten members. ITC has a large board size of 18 because it is made of different segmental companies.

With the inception of Company Act 2013, the board size of the companies will be restricted between 4 to 15 members at a time, thus companies with more board members will have to be reduce unless is permitted by other Act.

Independent Directors

Clause 49 of the listing agreement of Stock Exchange Board of India (SEBI) defines an independent director as'independent director' shall mean a non-executive director of the company who apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director"

With the exception of HDFC Bank with no independent directors and government promoted companies which are governed by different laws about director, all other companies have fulfilled the minimum requirement of Clause 49. Is mandatory requirement for all companies to have 50% its board members to be independent if the chairman is executive or promoter or 1/3 independent directors if the chairman is independent director. Some of the government promoted companies has notified that they are still in talks with the government to fulfil this requirement. From the number of independent directors in the table 2 across the companies, it can be said that most of the companies has its chairmanship to be executive or promoter. This is inferred from the more than 50% independent directorship on the boards as shown on the table 2. The directors of government promoted companies are either appointed or nominated by government under the guidelines of a specific Act such as Bank Regulation Act 1949, Section 617 of Company's Act 1956. Neither the Anglo-American model nor the Cadbury Report specifies a board size; their advocate for sufficient and effective board size indicates the relevancy of board structures. The size of the Indian companies is sufficient and effective to discharge its duties hence it can be concluded that there is convergence in practice.

On the issue of independent directorship, Cadbury Report general state at least 3 members and Clause 49 specify 50% or 1/3 depending on the chairmanship, with much emphasis on the independency of the board. Since the Cadbury is mostly practice in the Anglo-American model economies, a fulfilment of its recommendation is practice of the model. Therefore the 100% compliance of the companies with the exception of HDFC and some government companies on the independency of directors demonstrate the convergence towards the Anglo-American model.

Committees of the board

Generally all CG reports and standards including Cadbury and Clause 49 indicate the essence of committees for the effective functioning of the board. It is mandatory by Clause 49 for all listed companies to have at least an Audit Committee. From the study all the companies in the NIFTY has comply with this recommendation. Again all the companies have shareholders/investor grievance committee as instructed by Companies Act 1956. Cadbury recommends other committees such as remuneration committee, nomination committee, and risk management committee. Though not mandatory under Clause 49, majority of the companies have both remuneration and nomination or a single committee for both purpose.

Only 5 out 50 representing 10% of the companies don't have remuneration committee while 30 representing 60% do have nomination committee. Decisions on remuneration and nomination issues are collectively taken by the Board in the absence of the committees. Majority of the companies have gone beyond the compliance of all recommendations of Clause 49 including non-mandatory to set-up more committees such as risk management committee, CSR committee, Human Resource Management committee among others. These other committees are set-up based on the nature of the company's business and its environment. Since these committees are in line with the Cadbury report which is an underlying report for the Anglo-American it can be concluded there is convergence towards the Anglo-American model.

Code of Conduct and Whistle Blower Policy

Code of conduct are set of principles and guidelines laid down by a company itself to shape the behaviour of employees especially top officials in terms of do's and don'ts. Whistle blower policy on the other hand is a policy set up by companies to encourage employees to air out things that go wrong within the company with fear.

The code of conduct for the purpose of this study includes only internally developed codes and excludes code of conduct for the prevention of insider trading as instructed by SEBI.

36 out of fifty companies have establish a company tailored code of conduct while others may followed already externally established code like Bank Code of Conducts. It is mandatory under both clause 49 and Cadbury Report for a company to have code of conduct, as to either internally developed or adopted code of conduct is not clearly defined by both standards. Whistle blowers policy is not available in Cadbury Report but is non-mandatory Clause 49. 19 companies representing 38% does not have whistle blower policy as 31st March 2014.

DISCLOSURES

Disclosure is the bedrock for the management of agency problem and for that matter CG. It is therefore an essential requirement in any CG reports and CG model. Disclosures give a picture of the activities of management to shareholders. Disclosures do not only mean financial statements, non-financial statements like director's remuneration, shareholding pattern and forecasting are equally necessary. From the study, all the companies has full complied with minimum requirements of disclosures such as financial statement, directors report, management discussions, auditor's report, shareholding pattern, remuneration disclosures board structure and meetings. These requirements are stipulated in both Cadbury and Clause 49 of Listing Agreement. The Anglo-American model is known for its stringent and comprehensive disclosures of company information. Though India companies are required to file quarterly and annual reports to stock exchanges which are characteristics of Anglo-American model this cannot be tested or analysed by this study. This is because data could not be sourced from the responsible body hence the level of convergence is said to be partial under disclosures.

CONCLUSION

This study has compared the major CG standard which is Clause 49 with Cadbury Report and Anglo-American Model both in principle and in practice. While it can be said with high level of certainty about the similarities and convergence in principle, the same cannot be said in practice, thus, there is a strong path dependence which is ownership structure of the companies. The ownership structure of Anglo-American model is known to be highly dispersed with no single controlling shareholder, while the case of the Indian is opposite.

The ownership structure therefore gives mix picture of Indian model of Anglo-American and Japanese model but with the most dominating features of Anglo-American model.

There is also big question about the institutional ability of the country to operate fully under the Anglo-American model. Researchers and scholars have found out that the institutions such as SEBI and the judicial system are weak in the enforcement of the principles and regulations. Sharma (2012) reports that about twenty cases on non-compliance of board composition provision in public sector are still pending since 2007 with SEBI. Afrisharipur (2009) also claims that the judicial reforms process in India has been stalled, refereeing to the creation of National Company Law Tribunal in 2004 as at March 2009. As predicted by the former chairman of SEBI, Damodoran, SEBI adjudicated only twenty out of hundreds of non-complaints companies. Both reforms and CG practices in India posits an interesting trajectory of CG convergence as neither demonstrating Anglo-American model or strengthen of the traditional corporate practice through ownership.

Notwithstanding the above signals of convergence towards Anglo-American by Clause 49 and the rigorous practices by the NIFTY companies, weak institutional and poor enforcement as well as ownership structure may cripple a complete convergence.

It is obvious that no single research can capture all issues, other gaps such as overlapping regulations in Clause 49 and Company Act 2013, convergence of CG practices in mid-cap and small companies can be explored in the future.

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