Journal for Re Attach Therapy and Developmental Diversities
eISSN: 2589-7799
2021 December; 4 (1): 151 - 158

Corporate Governance Disclosures Practices in Indian Automobile Companies

Karamjeet Kaur[1*]

[1*]Assistant Professor in Commerce and Business Management, ASSM College, Mukandpur, GNDU college, Email: ksandhu_75@rediffmail.com

***Corresponding Author:** Karamjeet Kaur
*Email: ksandhu_75@rediffmail.com,

Article Received: 20 September 2021 Article Accepted: 23 November 2021 Article Published: 09 December 2021

ABSTRACT

The main objective of this study is to construct Corporate Governance Disclosure index and to make comparative analysis of Corporate Governance Disclosure Practices by using Index score between Tata Motors and Maruti Suzuki. The comparative analysis reveals that degree of Corporate Governance Disclosure Practices is very good in both the companies. Both automobile companies fulfilled almost mandatory requirements in all sub-indices prepared as per SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. Findings suggest that Tata Motors secure more score in comparison to Maruti-Suzuki. So, the later company has more scope to improve its disclosure in its annual report.

Keywords:

INTRODUCTION

Corporate governance is based on certain principles such as carrying out the business with all honesty and fairness, being transparent with respect to all transactions, making all the necessary disclosures and decisions, complying with all the laws prevalent in the respective country, accountability and responsibility towards all the stakeholders and commitment to conduct the business ethically. Corporate governance has become a significant policy issue in both developed and developing countries. In India, the Securities and Exchange Board of India (SEBI) has taken various initiatives to align Indian corporate governance practices with global standards adopted in developed economies. The recent amendments to Clause 35B and 49 of the listing agreement make Governance more effective and accurate in protecting the interests of all stakeholders.

On 2nd February, 2015, SEBI notified, in the extraordinary Gazette of India, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, to govern all the listed companies under this regulation. So now every listed company has to comply with the provisions of Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The main objectives of the study are as follows:

- To analyse the corporate governance disclosure practices by automobile companies.
- To make a comparative analysis of such disclosure practices by using index scores among sampled companies.

The rest of the paper is organized as under. Section II provides review of relevant studies and provides the research gaps. Section III explains data sources and research methodology. Section IV analyse and interpret the findings and lastly Section V concludes the study.

REVIEW OF LITERATURE

The concept of corporate governance has evolved significantly over time and has become one of the most important areas of study in management and finance. Researchers across the world have examined how governance mechanisms influence transparency, accountability, firm performance, and stakeholder trust. The increasing number of corporate failures and financial scandals has further strengthened the need for effective governance frameworks. The following review highlights key contributions from various scholars and institutions in the field of corporate governance.

Jensen and Meckling (1976) provided one of the earliest and most influential theoretical foundations of corporate governance through the Agency Theory. According to their study, the separation of ownership and control in modern corporations often leads to conflicts of interest between shareholders and managers. Managers may act in their own interests rather than maximising shareholder wealth. To address this issue, the study emphasised the importance of governance mechanisms such as monitoring systems, incentive structures, and transparent reporting practices. These mechanisms help in aligning the interests of managers with those of shareholders.

Shleifer and Vishny (1997) further expanded the understanding of corporate governance by focusing on the protection of investors. Their research highlighted that strong governance systems ensure that investors receive a fair return on their investments. They emphasized that weak governance structures often lead to misuse of corporate resources and reduced investor confidence. The study also pointed out that legal frameworks, regulatory systems, and institutional support play a crucial role in strengthening governance practices.

Claessens and Fan (2002) examined corporate governance practices in emerging markets and found that weak governance systems often result in poor firm performance and lower valuation. Their study suggested that improving disclosure standards and strengthening regulatory mechanisms can significantly enhance corporate governance in developing economies. They also highlighted that concentrated ownership structures in emerging markets can sometimes lead to conflicts between majority and minority shareholders.

Monks and Minow (2011) analyzed modern corporate governance practices and emphasized the importance of ethical leadership, transparency, and board independence. According to their study, corporate governance should not be viewed merely as a compliance requirement but as a system that promotes ethical behavior and responsible decision-making. They argued that organizations with strong governance cultures are more likely to achieve long-term success and sustainability.

Srinivasan, P. and Srinivasan, V. (2011) examined the status of corporate governance research on India in the Indian and International journals between the period 2000 to 2010 and concluded that there has been a steady and rising interest in the field of corporate governance in India.

Kulkani, R. and Maniam, B. (2014) discussed corporate governance from India's point of view, involvement of ethics, internal governance, and choice of auditor and audit committee for India and analyzed the barriers that an emerging economy like India has to face and also explained the importance of good corporate governance practices.

The Organisation for Economic Co-operation and Development (OECD, 2015) developed a comprehensive set of principles that serve as a global benchmark for corporate governance practices. These principles focus on key aspects such as transparency, accountability, fairness, and responsibility. The OECD framework has been widely adopted by countries and organizations to improve governance standards and protect stakeholder interests. It emphasizes the role of the board, disclosure practices, and equitable treatment of shareholders.

Aggarwal (2013) analyzed governance practices in Indian companies and concluded that firms with strong governance frameworks tend to perform better both financially and operationally. The study highlighted the importance of independent directors, effective audit committees, and transparent reporting systems in enhancing corporate performance.

Kumar and Singh (2015) studied the relationship between corporate governance and firm performance and found that companies with higher levels of disclosure and transparency are more successful in attracting investors and maintaining market confidence. Their findings suggest that transparency and accountability are critical drivers of sustainable growth.

Bhasin (2016) focused on the role of corporate governance in preventing corporate frauds and financial irregularities. The study emphasized that effective governance mechanisms such as internal controls, audit committees, and whistleblower policies play a vital role in detecting and preventing unethical practices within organizations. It also highlighted that strong governance reduces the likelihood of financial misreporting and enhances organizational credibility.

Muhammad et al.(2016) studied the impact of corporate governance practices on firm performance in Pakistan by analysing three variables of corporate governance, i.e., board size, board composition, CEO duality and Audit Committee of 80 non-financial firms listed on KSE during 2010-2014. It was found that board size and audit committee are positively related to the firm's performance, while CEO duality and board composition are negatively related to the firm's performance.

Gupta and Sharma (2017) examined corporate governance practices in the Indian IT sector. Their study revealed that leading IT companies maintain high standards of governance due to their global operations and exposure to international markets. These companies emphasize transparency, ethical conduct, and regulatory compliance to maintain their reputation and competitiveness. The study also pointed out that IT companies face unique challenges such as data security and global compliance, which require robust governance frameworks.

Kaur and Singh (2018) analyzed the impact of corporate governance on shareholder value and concluded that effective governance practices lead to improved financial performance and increased shareholder wealth. The study highlighted that companies with better governance structures are more efficient and are able to sustain long-term growth.

Keerthevasan, V and Arya R (2018), in their paper attempted to discuss the role played by SEBI through clause 35B and clause 49 of the listing agreement in making companies to comply with the corporate governance norms in India and concluded that SEBI has greater role and command to make companies to follow the corporate governance standards. But it alone cannot enforce and check the compliance of corporate governance standards by companies, so it is the duty and responsibility of all the stakeholders to ensure that the corporate governance norms are being followed by the companies in their work.

Maheshwari, M. (2018a), in her study made comparative analysis of corporate governance disclosure practices by using disclosure index made on the basis of various mandatory and non-mandatory requirements issued by SEBI in SEBI (LODR, 2015). The comparison was made between 2 companies from the pharmaceutical and 2 from the FMCG sector. The study concluded that all four companies show compliance with SEBI(LODR) Regulations 2015 practices in the year 2016-17.

Maheshwari, M. (2018b), in her study, examined 3 IT companies and found that Infosys got the highest score on the disclosure index made on the basis of various mandatory and non-mandatory requirements issued by SEBI and the Companies Act 2013, and concluded that IT Sector companies have excellent corporate governance practices.

Aguilera and Jackson (2019) emphasized the importance of board effectiveness, transparency, and accountability in

strengthening corporate governance practices. Their study highlighted that organizations with strong governance structures and independent boards tend to achieve better financial performance and enhanced stakeholder confidence.
Khatib and Nour (2020) examined the impact of the COVID-19 pandemic on corporate governance practices. The study found that companies with strong governance mechanisms were better able to manage risks, maintain operational continuity, and respond effectively to crisis situations. It also highlighted the growing importance of risk management and adaptability in governance frameworks.
Gillan et al. (2021) focused on the increasing importance of Environmental, Social, and Governance (ESG) factors. Their research indicated that companies integrating ESG practices into their governance framework demonstrate higher transparency, improved stakeholder trust, and better long-term sustainability.
Overall, recent literature clearly indicates that corporate governance is evolving from a traditional compliance-based approach to a more integrated framework that includes sustainability, digital accountability, and stakeholder engagement. These developments highlight the need for organizations, particularly in the automobile sector, to continuously strengthen their governance practices to remain competitive and sustainable in the modern business environment.

METHODS

The research focuses on a comparative analysis of corporate governance disclosure practices between two automobile companies listed on the BSE for the financial year 2017-2018. Certain governance parameters, with respect to the mandatory and non-mandatory requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act 2013, were taken to evaluate the corporate governance compliance by these two companies. A 100-point index consisting of 18 parameters with their sub-parameters has been taken for the study as developed by Meenakshi, M (2018a). After determining the total score, the companies will be graded on the basis of the following table.

Table 1: Score and Rating

Score	Remarks
90-100	Excellent
80-89	Very Good
70-79	Good
60-69	Average
50-59	Below Average
0-49	Bad

Sample Size and Collection of Data

The sample comprises two automobile companies, i.e. Tata Motors Limited and Maruti Suzuki Limited. The year 2017-2018 has been taken as the study period for comparing the governance practices. The study is based solely on secondary data. All data and information have been collected from the annual reports of the respective companies, obtained from their websites. Certain information was collected from other websites and journals.

ANALYSIS AND INTERPRETATION

Table 2: Criteria for the Evaluation of Governance Standards of Automobile Companies for the Financial Year 2017-2018

S. No	Governance parameters	Total Score	Points	Tata Motors Limited	Maruti Suzuki Limited
1	Statement of the Company’s Philosophy on Code of Governance	1	1	1	1
2	Composition of the board and BOD meetings held.	5			
	i) Not less than 50% of the Board of Directors comprising of non-executive directors.		1	1	1
	ii) At least one woman director.		1	1	1
	iii) Where Chairman is Non-Executive Director-At least 1/3 of the board comprise Independent Director where Chairman is Executive- At least ½ of the board comprise Independent Directors.		1	1	1
	iv) At least four BOD meetings in a year.		1	1	1

	v) Attendance record of BOD meetings.		1	1	1
3	Chairman and CEO Duality	5			
	i) Promoter executive chairman cum MD/CEO		1	0	0
	ii) Non-Promoter Executive Chairman-cum-MD/CEO		1	0	0
	iii) Promoter Non-Executive Chairman		1	0	0
	iv) Non-Promoter Non-Executive Chairman		1	1	1
	v) Non-Executive Independent Chairman		1	0	0
4	Disclosure of tenure & age limit of directors	2	2	2	1
5	Disclosures regarding to Independent Director (ID)	6			
	i) Definition of ID.		1	1	1
	ii) Familiarization program to ID & Details of such training imparted to be disclosed in the annual report.		1	1	1
	iii) Separate meeting of the ID.		1	1	0
	iv) Selection criteria the terms and condition of appointment shall be disclosed on the website of the company.		1	1	1
	v) Formal letter of appointment of ID.		1	1	1
	vi) Limit of No. of Directorship for ID (If whole time director then three or If not whole time director then seven)		1	1	1
6	Disclosure of:	2			
	i) Remuneration Policy		1	1	1
	ii) Remuneration of directors.		1	1	1
7	Directorship and Committees' Membership/Chairmanship of directors across all companies	2	2	2	2
8	Code of Conduct	2			
	i) Information on Code of Conduct		1	1	1
	ii) Affirmation of compliance		1	1	1
9	Post board meeting follow up system and compliances of the Board procedure.	2	2	0	0
10	Board Committees				
	A) Audit Committee	8			
	i) Transparency in composition of the committee (Qualified and Independent)		1	1	1
	ii) Compliance of minimum requirement of No. of Independent Directors in the committee. (Minimum three director and 2/3of the member should be ID)		1	1	1
	iii) Compliance of minimum requirement of the number of committee meetings. (At least four times).		1	1	1
	iv) Information about literacy & financial expertise of the committee.		1	1	1
	v) Information about participation of Head of Finance, Statutory Auditors, Chief Internal Auditors, and other invitees in the committee meetings.		1	0	0
	vi) Disclosure of audit committee charter & terms of reference.		2	2	2

Journal for Re Attach Therapy and Developmental Diversities
eISSN: 2589-7799
2021 December; 4 (1): 151 - 158

	vii) Disclosure of Committee report		1	1	0
	B) Nomination and Remuneration Committee :	6			
	i) Formation of the committee		1	1	1
	ii) Information about number of committee meetings.		1	1	1
	iii) Compliance of minimum requirement of No. of Non-Executive Directors in the committee. (At least 3 members)		1	1	1
	iv) Compliance of the provisions of independent director as chairman of the committee		1	1	1
	v) Information about participation of meetings.		1	1	1
	vi) Disclosure of Committee report		1	0	0
	C)Shareholders'/Stakeholders'Relationship Committee :	5			
	i) Transparency in composition of the committee		1	1	1
	ii) Information about nature of complaint & queries received and disposed-item wise.		1	1	1
	iii) Information about number of committee meetings		1	1	1
	iv) Information about action taken and investors/shareholder survey		1	1	1
	v) Disclosure of Committee report		1	0	0
	D) Risk Management Committee	2			
	i) Formation of committee		1	1	1
	ii) Disclosure of committee charter report		1	1	0
	E) Additional committee	4			
	i) Health and Safety & Environment Committee		1	1	0
	ii) CSR and Sustainable Development Committee		1	1	1
	iii) Investment Committee		1	0	0
	iv) Other Committee		1	1	0
11	Disclosure and Transparency :	24			
	i) Significant related party transaction having potential conflict with the interest of the company		2	2	2
	ii) Non-compliance related to capital market matters during the last 3 years.		2	2	2
	iii) Board disclosure-Risk Management		2	2	0
	iv) Information to the board on Risk Management		2	2	2
	v) Publishing of Risk Management Report		1	1	0
	vi) Management Discuss and Analysis		2	2	2
	vi) Information to Shareholders-				
	a) Appointment of new director/re-appointment of retiring directors		1	1	1
	b) Quarterly results & presentation		1	1	1
	c) Share-Transfers		1	1	1
	d) Directors' responsibility statement		1	1	1
	viii) Shareholder right		2	2	0
	ix) Audit Qualification		2	2	2

	x) Training of board members		2	2	2
	xi) Evaluation of non-executive directors		2	2	2
	xii) Resignation of Director with reason		1	0	0
12	General Body Meetings :	3			
	i) Location and time of General Meetings held in last 3 years		1	1	1
	ii) Details of Special Resolution passed in the last 3 AGM		1	1	1
	iii) Details of resolution passed last year through Postal Ballot including the name of conducting official and voting procedure		1	1	1
13	Means of Communication and General Shareholder Information	2	2	2	2
14	Whistle-Blower Policy & Vigil Mechanism	2	2	2	2
15	CEO/CFO certification	2	2	2	2
16	Compliance of Corporate Governance and Auditors' Certificate :	5			
	i) Clean certificate from auditors		5	5	5
17	Code for prevention of insider trading practices	5	5	5	5
18	Disclosure of stakeholders' interest :	5			
	i) Environment, Health & Safety measures (EHS)		1	1	1
	ii) Human Resource Development initiative (HRD)		1	1	0
	iii) Corporate Social Responsibility (CSR)		1	1	1
	iv) Industrial Relation (IR)		1	1	0
	v) Disclosures of policies on EHS, HRD, CSR, & IR		1	1	1
	Total Score	100	100	87	76

Source: Annual Reports of Sampled Companies.

From Table 2, the following observations can be made about the sampled companies:

1. All companies have their own philosophy on code of governance.
2. Both the companies have separate post of Chairman and MD/CEO. Both the companies have non-executive non-promoter chairman.
3. The Board of Directors of both companies are duly constituted with proper balance of Executive Director, Non-Executive Director and Independent Director.
4. Maruti Suzuki is not disclosing the age limit of directors. This company does not hold separate meeting of independent directors. And also does not disclose committee report.
5. According to SEBI's Regulations company's board of directors should meet minimum four times in a year with maximum gap 120 days. Both companies also comply it.
6. Both the sampled companies gave detail of the training program for ID in their respective annual reports.
7. Neither of the companies have post board meeting follow up system and compliances of the board procedure.
8. Companies disclose their director's remunerations as per SEBI's Regulation. Both companies have remuneration policy towards the Director's remuneration.
9. Both companies comply mandatory requirements of statuary committee like Audit Committee, Stakeholders' Relationship Committee, Remuneration Committee, Risk Management Committee and Corporate Social Responsibility Committee. But Maruti Suzuki does not disclose any committee report.
10. Only Tata Motors has framed Health and Safety and Environment Committee.
11. Both companies framed policy towards the related party transactions and insider trading. Companies inform their shareholders regarding the appointment of new director, quarterly result of the company and directors, responsibility statement.
12. Companies give detail about AGM and detail of special resolution passed in the 3 AGM. They also inform their stakeholders with venue.
13. Both companies have an auditor's certificate to comply with corporate governance.

14. Both companies have adopted an insider trading policy to regulate, monitor and report trading by insiders.
15. Maruti Suzuki's board does not disclose risk management and its report. It also does not disclose shareholders right, HRD initiate and industrial relations.

CONCLUSION

From the above analysis and interpretation, it can be concluded that automobile sector companies have very good standard of corporate governance practices. Both the companies have disclosed the composition and changes in the structure of Board of Directors in their annual reports. Also, the terms and conditions of appointment of the Independent Director are disclosed in annual report of all three companies. Both the companies had statutory committees like Audit Committee, Stakeholders' Relationship Committee, Remuneration Committee, Risk Management Committee and Corporate Social Responsibility committee and also complied all mandatory requirements of Clause 49 of the Listing Agreement. Independent Director is the chairman of the Audit Committee in both the companies according the SEBI's regulation. Though, both the companies are doing good corporate governance practices, but still Maruti Suzuki has much scope for improving its disclosure score in order to maintain interests of stakeholders and for more transparency in business operations. Good legislation and a market environment that is free from corruption are essential for Corporate Governance disclosure to be efficient. There should be a provision of penalty in case of non-compliance of mandatory governance practices.

Suggestions:

According to Table 2 Tata Motors got 87 index score whereas Maruti Suzuki got 76. Though the scores of both companies are very good, but to bring full score, the companies should adopt the following suggestions:
Tata Motors and Maruti Suzuki have Non-executive director as Chairman, but to get more marks they should appoint independent director as chairman. Maruti-Suzuki should hold separate meeting of independent directors and disclose it in its annual report. Both companies should have post board meeting follow up system and compliances of the board procedure. Both the companies should constitute investment committee. Maruti Suzuki should constitute Health and Safety & environment committee. It should also disclose the policy for stakeholders' interest Human Resources Development initiative and Industrial relations.

REFERENCES

1. Abdoullah, S., & Valentine, B. (2009). Fundamental and ethics theories of corporate governance. Middle Eastern Finance and Economics, 4(4), 88–96.
2. Achim, M. V., & Borlea, S. N. (2013). Corporate governance and business performance: Modern approaches. LAP Lambert Academic Publishing.
3. Aggarwal, P. (2013). Impact of corporate governance on corporate financial performance. IOSR Journal of Business and Management, 13(3), 1–5.
4. Aguilera, R. V., & Jackson, G. (2019). Comparative and international corporate governance. Academy of Management Annals, 13(2), 457–498.
5. Bhasin, M. L. (2016). Corporate governance and role of forensic accountants in fraud detection. International Journal of Management and Social Sciences Research, 5(2), 23–31.
6. Cadbury Committee. (1992). Report of the committee on the financial aspects of corporate governance. Gee Publishing.
7. Claessens, S., & Fan, J. P. H. (2002). Corporate governance in Asia: A survey. International Review of Finance, 3(2), 71–103. https://doi.org/10.1111/1468-2443.00034
8. Das, S.C. (2012). Corporate Governance in India: An Evaluation, Business and Economics, PHI Learning Pvt. Ltd.
9. Deloitte. (2025). Digital governance and corporate accountability report 2025. Deloitte Insights.
10. Fernando, A. C. (2012). Corporate governance: Principles, policies and practices (2nd ed.). Pearson Education.
11. Gupta, R., & Sharma, V. (2017). Corporate governance practices in Indian IT companies. International Journal of Business Administration and Management, 7(1), 45–54.
12. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X
13. Kaur, P., & Singh, S. (2018). Impact of corporate governance on shareholder value: Evidence from Indian companies. Indian Journal of Corporate Governance, 11(2), 112–126.
14. Keerthevasan, V. and Arya, R. (2018), "Role of SEBI in Corporate Governance", International Journal of Pure and Applied Mathematics, Vol. 120, No.5, pp. 217-229.
15. Kulkani, R. and Maniam, B. (2014). Corporate Governance- Indian Perspective. International Journal of Trade, Economics and Finance. Vol 5. pp. 364-368. 10.7763/IJTEF.2014.V5.399.
16. Kumar, N., & Singh, J. P. (2015). Corporate governance and firm performance in India. Indian Journal of Corporate Governance, 8(2), 105–120.
17. Maheshwari, M. (2018a). Corporate Governance Disclosure Practices in Pharma and FMCG Sector Companies. The

Indian Journal of Commerce. Vol. 71, No. 2, pp. 89-98, April-June.
18. Maheshwari, M. (2018b). Corporate Governance Practices In Indian Corporate IT Sector Included in BSE Sensex: A Comparative Study. Indian Journal of Accounting. Vol. 50, No. 1, pp. 13-20, June.
19. Meenakshi, M. (2018a). Corporate governance practices in Indian IT companies: A scorecard approach. International Journal of Research in Management and Business Studies, 5(3), 15–24.
20. Ministry of Corporate Affairs. (2013). The Companies Act, 2013. Government of India. Ministry of Corporate Affairs
21. Monks, R. A. G., & Minow, N. (2011). Corporate governance (5th ed.). John Wiley & Sons.
22. Muhammad, H., Rehman, A.U. and Waqas, M. (2016). The Effect of Corporate Governance Practices on Firm Performance: Evidence from Pakistan. East Asian Journal of Business Management, Vol. 6. No. 1, pp. 5-12.
23. Mutyala, S. and Dasaraju, H. (2014). Corporate Governance and Disclosure Practices in Listed Information Technology (IT) Companies in India. Open Journal of Accounting. Vol 3. pp 89-106. 10.4236/ojacct.2014.34011.
24. Narayana Murthy Committee. (2003). Report of the SEBI committee on corporate governance. Securities and Exchange Board of India.
25. Naresh Chandra Committee. (2002). Report of the committee on corporate audit and governance. Government of India.
26. Organisation for Economic Co-operation and Development. (2015). G20/OECD principles of corporate governance. OECD Publishing. https://doi.org/10.1787/9789264236882-en.
27. Sarbanes–Oxley Act. (2002). Public Company Accounting Reform and Investor Protection Act of 2002, Pub. L. No. 107–204, 116 Stat. 745.
28. Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. Journal of Finance, 52(2), 737–783. https://doi.org/10.1111/j.1540-6261.1997.tb04820.x
29. Srinivasan, P. and Srinivasan, V. (2011). Status of Corporate Governance Research on India: An Exploratory Study. SSRN Electronic Journal. 10.2139/ssrn.2121141.
30. The Audit Universe. (2016). Corporate governance models and frameworks. The Audit Universe.