Shareholder Activism en suite Corporate Governance

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Abstract

In the global business, competitiveness has become a buzzword and to achieve it every enterprise has been looking for the cost reduction methods in production and marketing of goods internationally. One of such element on this account is getting the international VAT refunds from the foreign tax authorities which knowingly or unknowingly is not being claimed by many firms because of complicated rules, regulations and time consuming and cumbersome refund systems. The expenses on VAT, therefore, are normally included in the cost of production and marketing, which otherwise can be saved by reclaiming VAT from the foreign tax authorities to increase profitability of the units engaged in international business.

The paper gives the international VAT coverage and background of VAT in EU, explains the VAT's concept, describes its common features the world over, gives illustrative VAT refund rates and policies, states advantages of outsourcing of such VAT refunds and prescribes these refunds as source of cost reduction to be competitive in the international business. Attempts have been made in this paper to create awareness of VAT refund system amongst the managers/executives employed or inspiring to join the firms engaged in international business, so that they can claim the legal dues of their firms from the foreign tax authorities without going through complicated procedures and spending their precious time and money by availing the services of VAT Recovery Agencies i.e. to get the VAT refunds hassles free. And for that, paper also provides brief details of selected VAT recovery agencies that may be approached for further information and their services.

Rudiments of corporate governance in shareholder activism

Better corporate governance is supposed to shepherd finer corporate performance, preventing the expropriation of controlling shareholders and ensuring better decision making. In expectation of such an improvement, the stock price may respond instantaneously to news indicating better corporate governance. However, quantitative evidence supporting the existence of a link between the quality of corporate governance and firm performance is relatively scanty.

Good governance means little or less sequester of corporate resources by managers or controlling shareholders, which contributes to better allocation of resources and

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healthier performance. As investors and lenders will be more willing to put their money in firms with good governance, they will face lower cost of capital, which is another source of better firm performance. Other stakeholders, including employees and suppliers, will also want to be associated with such firms, as the relationships are likely to be more prosperous and longer lasting than those with firms with less effective governance.

In this regard, implications for the economy as a whole are also obvious as economic growth gets more sustainable, because the economy is less vulnerable to a systemic risk. With better protection of investors at the firm level, the capital market will also be boosted and become more developed, which is essential for sustained economic growth. At the same time, good corporate governance is critical for building a just and corruption-free society. Poor corporate governance in big a business is fertile soil for corruption and corruptive symbiosis between business and political circles. Less expropriation of minority shareholders and fewer corruptive links between big businesses and political power may result in a more favourable business environment for smaller enterprises and more equitable and reasonable income distribution.

Corporate management and shareholders' participation

As per the regulatory system, the typical corporate governance framework views shareholders as the principal and hence, the objective of the management of a corporation is to maximize the interests of the shareholders. Even though shareholders entrust the board of directors to guide and monitor the management, they are given rights and opportunities to participate directly in monitoring their firms. Their basic rights include obtaining relevant corporate information on a timely and regular basis, participating in and voting at general shareholders' meetings, and electing the board members. Shareholders have a fundamental right to vote at shareholders' meetings and all shareholders in a given class are supposed to be treated the same way. Moreover, major deterrents should not stand in the way of shareholder participation in decision making at shareholders' meetings. Even if shareholders cannot physically attend meetings, they should be able to participate in decision making through such means as designating proxies or voting by mail. Institutional investors and minority shareholder protection groups should be allowed to play an active role in the voting process. Other barriers like the notices, registration requirements, timing, and venue of meetings should also be minimized. Furthermore, shareholders should be provided with adequate information about agenda items and be encouraged to ask questions, make comments, and raise issues at meetings. Thus the length of shareholders' meetings and the number of shareholders in attendance might yield information about the effectiveness of shareholders' meetings.

Once shareholders are given the opportunity to participate in corporate decision making, important questions are, on what items shareholders have the right to vote and what majority is required for approving items. Particularly important for the protection of minority shareholders are their pre-emptive rights in relation to new share issues, approval of related-party transactions, mandatory bid requirements, and dissenters' rights. Also minority shareholders should be able to inspect a firm's account books, corporate affairs and property and thereby insist that the firm should hold a shareholders' meeting without too much difficulty. Probably the most important role of the annual shareholders' meeting without too much difficulty. Probably the most important role of the annual shareholders' meeting is to select the members of the board, particularly the independent directors. Because shareholders' meetings cannot be held often, the board of directors makes most major corporate decisions on behalf of the shareholders and other stakeholders. Thus pertinent issues are whether shareholders are fully informed about candidates for directorships before they vote; whether they can nominate their own candidates; and whether cumulative voting is permissible whereby minority shareholders acting as a group could elect their choice of candidate. However, in family-controlled

enterprises, corporate management tends to consist of controlling owners, who might try to maximize their own interests, often at the expense of minority shareholders. Nevertheless, minority shareholders have little incentive to monitor their firms because of the free-rider problem, making them all the more vulnerable to expropriation by the controlling owners. Thus the focus of shareholders' role in the governance of family-based corporations should be on providing minority shareholders with effective mechanisms for protecting their interests and from abuses by controlling owners or management.

Corporate Governance pro Corporate Control

In India, with most large corporations owned and controlled by families and with family members holding key managerial positions, the major problem exists however, not between the management and owners in general, but between the management (the controlling family) and minority shareholders. The existence of large shareholders may by itself not be a matter of concern, or may even be a blessing, but the beneficial effect of large shareholders should be expected only when management is separated from ownership or when proper corporate governance mechanisms are in place so that outside shareholders can effectively check misbehavior by controlling owners. Corporate management in Indian companies has lacked transparency because of inadequate accounting and disclosure standards. In managing their firms and business groups, controlling family owners have been able to purpose their private interests relatively easily, often at the expense of minority shareholders and their firms' profits. Thus, without strengthening corporate governance, economic growth is unlikely to be sustainable and may be vulnerable to economic crisis in the future.

To protect shareholders' rights adequately, they should have effective means for obtaining redress for grievances at a reasonable cost and without delay. Shareholders' grievances are usually directed towards the board of directors. Corporate boards have two major fiduciary duties : Duty of loyalty and Duty of care. Duty of loyalty means that directors should act in the interests of the company and not in their own interests, and duty of care requires that the directors should try to make good decisions. When shareholders find that directors have not carried out their fiduciary duties properly, they should be able to resort to such means as petitioning for the dismissal of director's illegal acts, and filing derivative suits or class action suits for damage done to the company or shareholders. As a complement to any action that the shareholders can take, regulatory authorities should be prepared to deal with such unfair practices as insider trading, price manipulation, and unfair related-party transactions through such means as serious investigation, substantial penalties, and outright prohibition of certain types of transactions through such means as serious investigation, substantial penalties, and outright prohibition of certain types of transactions. For shareholders to be more vigilant against violations of the director's duty of loyalty, they should be above to identify the sources of ultimate ownership and control of the firm.

The disclosure of relevant corporate information is an essential element of market-based monitoring of companies. Disclosure and transparency induce corporations to better protect investors, and there by enhance investor confidence in capital markets. For disclosure to be meaningful, it should be timely, accurate, and informative. Any activities that could act against the interests of minority shareholders should be disclosed. How frequently a firm discloses its financial statements and regular business reports and whether subsidiaries of a business group disclose consolidated financial statements, both matter. Because formal business reports are usually issued only annually or semiannually, time-sensitive information should better be reported to the regulatory authorities and posted on the company's website without delay. Use of the Internet and other information technologies can be helpful for the timely and cost-effective dissemination of information and can also facilitate action by shareholders. In relation to the reliability of disclosed information, companies must adopt internationally recognized accounting and audit standards and assure the independence of the audit

process. Executive directors or controlling shareholders should not be able to influence the appointment of internal and external auditors and audit committee members.

Corporate governance measures for shareholders' fortification

Timely disclosure of accurate information on important firm-related matters is crucial for the protection of shareholders' rights for two main reasons. First, shareholders need to have access to information about important matters to make decisions that are in their interests. Second, information disclosure is crucial in preventing managers and dominant shareholders from engaging in activities that are illegal or are detrimental to minority shareholders. Managers and dominant shareholders will be more reluctant to undertake such activities when they expect that shareholders will find out about them and may take action against them. Managers and dominant shareholders will also run the risk of violating laws when they fail to disclose information about such activities.

The board of directors is the central corporate governance mechanism that the shareholders entrust to monitor and to provide strategic guidance to the management of a corporation. In the Anglo-American model, the board's major objective is supposed to be maximizing the value of the firm to be maximizing the value of the firm or the interests of all shareholders. In most Asian countries, however, executive, inside directors, mostly handpicked by controlling shareholders, used to dominate boards. As such, Boards of directors in family-based enterprises tended to serve primarily the interests of controlling families rather than of all shareholders. This abusive behavior could not be effectively curbed and was one of the causes of the 1997 Asian crisis.

Many of the reform measures have focused on addressing the problems arising from the presences of dominant shareholders who control several affiliated firms. The countries have instituted measures to reduce dominant shareholders' ability to appoint directors and to instruct directors and managers to make decisions that promote their interests at the expense of the firm's interests or the interests of other shareholders. The countries have also strengthened regulations governing transactions between a firm and parties that are closely related to the firm's dominant shareholder.

The areas in which reform measures should be taken up include :

- Improving the quality of information that management is required to provide to shareholders and the general public.
- Enhancing minority shareholders' participation in corporate decision making.
- Making Boards of directors more effective and more independent of management.
- Reducing the likelihood of related-party transactions that would hurt minority shareholders.
- Making banks more efficient and more responsible as lenders.
- Reforming bankruptcy proceedings.

Stances on corporate governance in shareholders' participation

Benjamin Graham and David C. Dodd over a half-century ago described the agenda for governance activity. They said that shareholders should limit their attention to matters where the interest of the officers and the stockholders may be in conflict. This field includes : Compensation to officers i.e. comprising salaries, bonuses, options to buy stock; Expansion of the business i.e. involving the right to larger salaries; and the acquisition of more power and prestige by the officers; Payment of dividends i.e. should the money earned remain under the control of the management, or pass on into the hands of the stockholders ? Continuance of the stockholders, investment in the company i.e. should the business continue as before, although unprofitable, or should part of the capital be withdrawn, or should it be wind up completely ? They added that governance must concern itself with preserving the full integrity – and value of the characteristics of ownership appurtenant to shares

of common stock. For example, the right to vote may be diluted by a classified board or by dual-class capitalization, and the right to transfer the stock to a willing buyer at a mutually agreeable price may be abrogated by the adoption of a poison pill. These kinds of issues, not contemplated at the time of Graham and Dodd's first edition, also presented conflicts of interest, as shareholders were interested in accountability and officers and directors were interested in protecting themselves.

Louis Brandeis was driving through Maine one late summer day when he stopped to admire a river running through a pretty wooded area. He noticed big, slick bubbles of industrial discharge corroding the vegetation along the riverbank, and wondered : Who wants this to happen ? Not the owners of the company i.e. the shareholders, not the managers or employees, who want to live in a healthy environment, not the board of directors, not the community, not the government. He could not think of anyone connected with the company emitting the effluent who wanted the result he saw. This was an unintended consequence of the corporate structure. The very aspects of the company's design that made it so robust, so able to survive changes in leadership, in the economy, in technology, were the aspects that led to this result pollution that no one wanted, and everyone would pay for. He realized that he was part of the problem some time later, while in his office at the Boston Safe Deposit and Trust Company, where he was the Chairman of the Board. He was looking over the proxies that it was their responsibility, as trustee for $7 billion in assets, to vote, and he was preparing to do what they had always done-vote with management on all of them. He picked up the proxy for the company that produced the industrial sludge he had seen, and he realized that if he voted for management, he was endorsing this activity. Those of them who managed money on behalf of others had the opportunity, and the responsibility, to tell management that this activity was unacceptable. But none of them was doing it. There is no such thing to his mind as an innocent stockholder. He may be innocent in fact, but socially he cannot be held innocent. He accepts the benefits of the system. It is his business and his obligation to see that those who represent him carry out a policy which is consistent with the public welfare. They must not make a scarecrow of the law, setting it up to fear the birds of prey, and let it keep one share, till custom make it their perch and not their terror.

William Shakespeare believed that, people are comfortable living in a society that includes powerful, large, profit-seeking corporations, because we believe that along with profit they are producing goods, services, and jobs in the public interest. The myth is that there is a system to limit the scope of their activities, to make sure corporations act in the public interest. Perhaps the most powerful myth about corporations is that they are ultimately held accountable by the marketplace and they therefore must maximize profits to compete for investors. The reality is that the "profit maximization" model does not provide an accurate explanation of the way in which large corporations function in our society. Essentially, modern corporations often use their power to reduce risks and transfer costs on to others, creating results that were not intended, that are not in the interests of society as a whole, and that have nothing to do with profit. Institutional investors are just beginning to discover and flex their ownership muscles. It's important to take a look at them, to understand who they are, what they are looking for, and where they are going.

Professor Christopher Stone's "Where the Law ends" is perhaps the best known work on this general subject. He concludes that the suspension of directors is the most effective way of dealing with the problems of corporate criminality. Why is this better than what we have not ? For one thing, the magnitude of the potential liability today has become so draconian that when we try to make the law tougher on directors the more likely effects are that corporate lawyers will develop ways to get around it, judges and juries will be disinclined to find liability, and many of the better qualified directors will refuse to get involved and serve. The advantages of the "suspension" provision, by contract, are that it is not so easy to get around; it is not so severe that, like potential multi-million-dollar personal liability,

it would strike courts as unthinkable to impose; but at the same time it would still have some effective bite in it – the suspenders would be removed from the most prestigious and cushy positions ordinarily available to men of their rank, and would, he suspects, be object of some shame among their peers.

Issues to Ponder

How is the stock market important for a country? Is the country really dependent on the stock market? Does the stock exchange in any way improve or deteriorate the status of a country's economy? During war, the Government will be forced to close down the stock exchanges. Then what is the way out in such a situation. Excepting through the stock exchanges should the public invest otherwise? On the other hand, if the company is not listed in the stock market, can it not function well? Is there any correlation between the listing and performance of a company? For e.g. – BSNL, HAL, IA, AIR INDIA. If these are at loss will the stock market help them to improve its profitability? What are the factors related to stock market efficiencies? Do the activities of the stock market hamper the performances of the companies? What are the benefits a company gets on listing?

But these days, many IPO's are coming up and in a way cheating the public money. Because in an IPO the pricing is made very high and immediately after listing, due to volatility of the market the prices to below the IPO price. There is a big question on the efficiency of the stock markets and the regulators have not been able to control these situations. Where is the corporate governance principles invoked by the regulators ? SEBI order could do nothing in the IPO scam during 2004-2005. In the infamous IPO scam, about 80 financiers using 24 agents as executants put in multiple Benami applications in about 21 IPOs during 2004 and 2005 to get higher allotment. Soon after listing they sold the allotted shares profiteering from the difference between listing price and lower issue price. It was amounting to Rs. 115 crore. However securities appellate tribunal (SAT) set aside this 115 crore disgorgement order against NSDL and CDSL and 8 DPs. Hence the usual options before any stock market regulator in such a case include disgorging from actual offenders and fining those who were negligent in their duties.

The above lines also call for the cramming of the principles of corporate governance regulating the efficiency of the stock market. It is an important aspect and it has not been dealt with effectively by the legal authorities. The rich is becoming richer and the innocent players in the stock market are pondering over the sleaziness of the so called ingenuous transactions.

Moreover, peeking into the core of share trading by a company-if Stock Exchange (SE) is closed what shall happen to the companies ? On listing, shares are acquired for shareholding in a company-to have a hold in the management control which has impact on the efficiency. Through SE, valuation of the company is possible and when offered for sale it shall result in giving good value in the market.

Efficiency of SE shall give a realistic valuation of a company. When is the SE considered as efficient ? Only when it gives true valuation for a company, an investor can take rational decision. Definitely, it overcomes the draw backs so what are the parameters to judge the efficiencies. Is volatility bad ? What does is say about the market ? How is the US market ? What is the difference between US and Indian market ? What are the sentiments of the market which is ruling the volatility ? How worthy is the activity of the stock markets for India ? What is the trend like in the emerging market of India ? Infact there has been tremendous change from 2005 and 2008 as volatility has ruled the market.

The drastic change in the market has made it more than 3 times fold from now. (Nifty / Sensex). Participation in the market has grown in the multifold. The trading volume may have been only 3 lacs before but now it has touched 3 crore. Now there are MF, FII, FI and investors from different fields. Now everything is online trading and settlement is instant. Guidelines have been stringent for transparency and fair dealings. Even then the companies are trying to take advantage of the

loopholes. But does the imposing of regulations could have made the market more efficient ? Why can't SEBI get hold of the corruption in disguise ? SEBI, need to find out a scientific approach to remove all the manipulations. There are lacunas in the regulatory system which needs to be removed ? The reason for the sea change in the share price cannot be ignored. In this case can be Stock Market be called as in efficient one ? When there has been constant change in our regulations and much has been conversed about corporate governance but where is the implementation side?

To study the efficiency, the workings are to be judged through the PE notes but again cogitating over the idea of its introduction and what does it curb at last ? How will it help the market to function well? The volatility could be assessed according to the players of major shareholdings due to its high correlation.

The review and submissions

In the mind nineties, corporate governance became an important area of concern for regulators, industrialists and investors alike. Indian industry considered the matter important enough for them to propose model corporate governance code. However, the major pressure for better corporate governance came from the capital markets. Capital markets have always had the potential to exercise discipline over promoters and management alike, but it was the structural changes created by economic reform that effectively unleashed this power. Minority investors can bring the discipline of capital markets to bear on companies by voting with their wallets. They can vote with their wallets in the primary market by refusing to subscribe to any fresh issues by the company. They can also sell their shares in the secondary market thereby depressing the share price. Financial sector reforms set in motion several key forces that made these forces far more potent than in the past :

Deregulation : Economic reforms have not only increased growth prospects, but they have also made markets more competitive. This means that in order to survive companies' will need to invest continuously on a large scale. The most powerful impact of voting with the wallet is on companies with large growth opportunities that have a constant need to approach the capital market for additional funds.

Disintermediation : Meanwhile, financial sector reforms have made it imperative for firms to rely on capital markets to a greater degree for their needs of additional capital. As long as firms relied on directed credit, what mattered was the ability to manipulate bureaucratic and political processes; the capital markets, however, demand performance.

Globalization : Globalization of our financial markets has exposed issuers, investors and intermediaries of the higher standards of disclosure and corporate governance prevail in more developed capital markets.

Institutionalization : Simultaneously, the increasing institutionalization of the capital markets has tremendously enhanced the disciplining power of the market. Large institutions (both domestic and foreign), in a sense, act as the gatekeepers to the capital market. When they vote with their wallets and their pens, they have an even more profound effect on the ability of the companies to tap the capital markets. Indian companies that opened their doors to foreign investors have seen this power of the minority shareholders in very stark terms. International investors can perhaps be fooled for the first time about as easily as any other intelligent investor, but the next time around, the company finds that its ability to tap the international markets with an offering of Global Depository Receipts (GDRs) or other instrument has practically vanished. In the mid 90s, company after company in India has worken up in this manner to the power that minority shareholders enjoy when they also double up as gatekeepers to the capital market.

Hence the following are the submissions in regard to the above issues :

With the Indian economy growing at a rapid pace and with capital markets witnessing a prolonged bull run, there is a lot of activity taking place in the equity industry in India. According to Price Waterhouse Coopers, the equity investments have crossed the $2 billion mark in last July alone and

are likely to cross the $15 billion mark by the end of the year, 2007. So far there have been 200 deals in the first half of the same year alone, which are cumulatively worth over six billion US dollars. This is much higher than other markets. With Indian corporate delivering excellent results every quarter, the activity in this space can only increase from here on. While the Stock Exchange regulator in India has taken several steps to increase liquidity in the market by introducing new instruments, the thing which plagues SEBI is its lack of understanding of 'ONE SIZE DOESN'T FIT ALL'. Companies of different sizes need to be treated differently. That is the reason why the small and mid sized companies which could be the potential leaders in future are now preferring to list on overseas exchanges.

The policy makers left the financial industry free to innovate-and what it did was to innovate itself and the rest of it, into a big, nasty mess. Policy makers committed to the view that the market is always right, simply ignored the warning signs. The only constant thing is price volatility; but that cannot be termed risky, because time is a perfect hedge for this volatility or risk. Stock prices in the short term reflect interplay of elements such as liquidity, global sentiment and analysists' estimates, so volatility cannot be wished away. As real growth and real cash earnings propel prices on the markets, these markets will appreciate. Hence to make huge wealth in this market, it is important to considering the time one should invest, rather than just trying the markets. Thus if fundamentals of a company justify the investment, short term variations in price-rise or fall should not unnerve the long term investor. Every one wants safety. A look at the equity movement over the years reveals that they have delivered the best among most of the other asset classes. Thinking long term at the outset gives a cushion in case of short term corrections. After all its long term investing that creates wealth while the short term trading creates only income. By investing with a long term perspective, one can withstand the business cycles and sell in an uptrend at a good profit, while investing in short term perspective will give the selling chance in the down turn.

The testing of efficiency of stock markets empirically could give the forecasts from an analyst point of view which could be a guide for the prudent investor. To foretell the future drift of the stock market and the view in regard to the potential stipulation, regulators including FICCI (Federation of Indian Chambers of Commerce and Industry) opine that the legal framework for recording shareholders' consent under a postal ballot system is fraught with operational obscurities. In its view, there should be 30 days period given to shareholders of a company to indicate their assent or dissent to a proposal being circulated for postal ballot. However, reckoning the time limit of 30 days from the date indicated on the postal ballot would defeat the very purpose for which that system is introduced in the first place. Companies are not above taking refuge under the excuse of the ubiquitous 'postal delay' if they want to delay any communication to shareholders. Quite often there are instances where dividend warrants reach shareholders a day after the expiry date on the warrant even though it is ostensibly mailed a good 30 days before the due date.

Again, the annual reports have a creepy tendency of reading the shareholder very close to the day of the AGM, making it difficult to register a proxy if the shareholder cannot attend the meeting himself. Hence, leaving to the company the freedom to designate a date on the postal ballot is the surest way to ensure that the shareholders' voice is muffled. In most cases, the date of resolution is ventured and the bulk of minority shareholders' votes do not reach within the stipulated date for the verdict.

If the 30-day period is to be reckoned from the date of actual dispatch, the problem of the postal department's inability to handle huge volumes at one go could be overcome by starting the process even a few days earlier, so that the last of the shareholders could still get the ballot

sufficiently in advance to reflect on the proposal and take a reasoned view.

There are also private couriers who could be pressed into service, or the company could even give out the dispatch load by arranging to have these ballots mailed from more than one location. Hence, the Government's attention to postal limitations has to be drawn for suggesting, indicating its priorities. The Government needs to seriously look at the system of electronic registration of voting on company proposals. Internet banking and electronic cash withdrawals are already in vogue. And cybercafés have enlarged public access to the Internet considerably. Then, integrating the security modus operandi is to be implicated in e-commerce or electronic banking transactions with public access to the net to put in place a system of e-corporate governance.

There is a paradigm shift in the shareholder-company interface. The general meetings of most companies go largely unrepresented by a substantial chunk of shareholders. A meeting of Reliance Industries or Telco may attract a few thousand shareholders. But that is still a small proportion of the total number of registered shareholders in these companies. In fact, if all the registered shareholders of Reliance Industries decide to take part in a general meeting, the logistics of such an event would be like the Kumbh Mela, as the company is reported to have as many as 2.6 million shareholders. It should be accepted that in the case of mega corporations, at least, the concept of total shareholder participation, in the conventional sense, is impossible.

In the 1950s and 1960s, or even well into the 1970s, this was not even an issue. Companies were relatively small. They raised money from the narrow geographical areas of their operation. A Mumbai-based company for instance did not even have to think of raising resources outside Mumbai. In the circumstances, the regulator did not have to think in terms of alternative systems of shareholder participation. But things have changed. Today's reality is that company's shareholder base is increasingly cosmopolitan and is also very large in keeping the funding requirements of modern corporations. In the West, corporations grew in size over the years. But in their case, the institutionalization of share ownership meant that distance was not a constraint for participation. But in India, institutional ownership is still in its infancy, the size of a Unit Trust of India notwithstanding. The growth in corporate capital base has been funded by a large army of small shareholders. The absence of an institutional framework for proper enfranchisement is serious lacuna. The postal ballot or its electronic variant is a possible solution.

Culmination

There is an urgent call for appreciating the correlation between good corporate governance and the need to prevent the expropriation of shareholders by managers in ensuring the efficient management of a company the efficient management of a company that has multiple owners. This is needed to attract the capital desired to pursue large and worthwhile projects. Hence, the affair of shareholder participation from diverse perspectives cannot be ignored by way of the impact of corporate governance which may be one of the major nuts and bolts in the eternal breakdown of corporate ethnicity. The shareholders' participation shall also have influence on the share price behavior which automatically sprouts from the fact that corporate wealth creation capacity could be presaged the way the principles of corporate governance are dealt in the diverse corporate behavior.

Clause 49 requires that proper information should be given to the shareholders and it's a question of compliance that entails whether the minority shareholders have been oppressed by the corporate behavior or not. The typical corporate governance framework views shareholders as the principal, and hence, the objective of the management of a company is to maximize the interests of the shareholders. Hence, the compliance of clause 49 in this regard and its

relevance on the corporate decision-making is vital whereby the corporate management of various Indian corporate should not be deficient in transparency due to the occurrence of any inadequate accounting and disclosure standards, thereby malfunctioning the value system. Therefore, the topic has not been supported with the above requirements in light of the impact on good corporate governance as given in the analysis and findings.

It is also required that the evaluation of companies' dealings should be done on the basis of 3 categories of classification-viz., high promoter's holding, average or medium promoter's holding and low promoter's holding. The principles of corporate governance requires adherence to a value system with a paradigm shift which is needed in the shareholder-company interface. Whether it includes a postal ballot or electronic mail system the significant areas are those where the results shall show extensively the improvement of the quality of information from the management to the shareholders and the general public and enhancement of minority shareholders' participation in corporate decision-making.

The shareholders participation in the above classification shall help to analyze those listed companies and the situation where unethical practices, at the whims and wishes of the promoters, (in case of high promoter's holding) have been manipulating the corporate behavior, thereby bringing itself under the purview the penal provisions of violating the corporate governance principles. Similarly the cases of any oppressions and mismanagement may crop up where low promoter's holding is in vogue and large minority shareholders are present then the compliance of corporate governance becomes a fundamental question. For example-the P/E ratio of certain companies like DLF Ltd. whose promoter's (including institutional) holding is too large (i.e 88% approx), is as high as atleast 300, while P/F of those like Teledata Informatics where the number of minorities is high (i.e. 86% approx) is as low as 3 only. Hence in such cases the role of corporate governance is vital because the high P/E in the first case makes the prices abnormally high to Rs. 600 approx. The coveted good corporate governance is required to curtail the malpractices arising due to disproportionate shareholding pattern which ultimately affects the shareholders participation. Reliance on the ballot numbers through the responses of companies secretaries generally do not give a clear picture of the requirement i.e., shareholders participation and their importance in fastening good corporate governance. It may be an actuality that the postal ballot figures maintained by the company secretaries are manipulated which is generally governed by the shareholding pattern. Hence the shareholders' participation which is mainly based on the shareholding pattern in most of the leading corporate has a bearing with its impact on the decision making governing the corporate. Since it is a reality that capital appreciation and dividend are the main motives of the minorities, the impact of their participation on the inflated or deflated share prices should be noticed to bring a real subsistence of corporate governance. The ways of internet voting have been stressed as a major criteria for efficient shareholders' participation, while all the apprehension for a good corporate governance system has been overlooked and often premeditated as a squandering exercise and superfluous.

As quoted by Ella Wheeler Wilcox, "He who leads must then be strong and hopeful as the dawn that rises unafraid and full of joy above the blackness of the darkest night. He must be kind to every living thing; Kind as the Krishna, Buddha and the Christ, and full of love for all created life. Oh, not in war shall his great prowess lie, nor shall he find his pleasure in the chase. Too great for slaughter, friend of man and beast, touching the borders of the unseen realms and bringing down to earth their mystic fires to light our troubled pathways, wise and kind and human to the core, so shall he be, the coming leader of the coming time."

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