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STUDYING ABOUT THE CORPORATE GOVERNANCE AND ITS FUNCTIONS

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ABSTRACT

Is subject to the same corporate governance standards as any other bank in India. The board of directors of J&K Bank is responsible for overseeing the bank's management and ensuring that it operates in compliance with applicable laws and regulations. The board of directors is composed of a mix of executive and independent directors, with at least one-third of the directors being independent. The bank also has various committees, such as the Audit Committee and the Nomination and Remuneration Committee, which are responsible for overseeing specific aspects of the bank's operations. The bank has a well-defined code of conduct for its employees, which includes ethical business practices, compliance with applicable laws and regulations, and respect for the interests of all stakeholders. The bank also has a whistle blower policy to ensure that employees can report any unethical behavior without fear of retaliation. In addition to its internal corporate governance framework, J&K Bank is also subject to regulatory oversight by the RBI, which sets out detailed guidelines on corporate governance and risk management. The bank is required to submit regular reports to the RBI on its governance practices and risk management framework.

Keywords: - Corporate, Bank, Government, Rules, Public.

I. INTRODUCTION

Corporate governance has been widely recognized for the success of corporations in the business environment. This has been in limelight when the number of scandals, such as Enron, Parmalat, WorldCom or Lehman Brothers, came into picture and significant essence has been felt worldwide for effective corporate governance. Corporate governance practices need to be constantly evaluated against the backdrop of an increasingly uncertain and complex business environment. Globally, there has been much debate on „what constitutes good governance?‟ Governance norms have primarily focused on the higher responsibilities, tighter regulation for the board of directors and the increase in shareholder activism. There is, however, no standard metrics to determine the success of corporate governance practices. The mandatory checklist approach for corporate governance has severe limitations in terms of its effectiveness. Similarly, relying entirely on an overarching set of principles without any binding rules has also its shortcomings.

Recently, many countries have opted for a middle path approach, where key for success is recognized by way of ‘comply-or-explain ’governance code, which is rational too, as it ensures that companies adhere to basic codes and standards. For the long-term interests of the stakeholders, it provides flexibility and accommodates new ideas. This approach encourages companies to be more transparent, as any deviation needs to be publicly explained. Ultimately, long-term sustainability of companies depends on how strong the conviction is to continuously strive in adopting better governance practices. While the business environment may undergo radical change, the underlying principles of transparency, integrity and accountability must remain steadfast. Good Corporate Governance practices are an integral element of business. It is not just a pre-requisite for facing intense competition for sustainable growth in the emerging global market scenario but is an embodiment of the parameters of fairness, accountability, disclosures and transparency to maximize the value for the stakeholders. Corporate Governance is about commitment to values, ethical business conduct, and contribution towards social causes and considering all stakeholders‟ interest in the fair conduct of business.

II. AIM OF CORPORATE GOVERNANCE

Good governance is integral to the very existence of a company. As it inspires and strengthens the investor's confidence by ensuring company's commitment to the higher level of growth and profits. It seeks to achieve following objectives:

- A properly structured Board capable of taking independent and objective decisions is in place at the helm of affairs;
- The Board adopts transparent procedures and practices and arrives at decisions on the strength of adequate information;
- The Board effectively and regularly monitors the functioning of the management team; and
- The Board has an effective machinery to serve the concerns of stakeholders;
- The Board is balanced as regards the representation of adequate number of non-executive and independent directors who will take care of the interests and well-being of all the stakeholders;
- The Board keeps the shareholders informed of relevant developments impacting the company;
- The Board remains in effective control of the affairs of the company at all times.

III. FUNCTION OF CORPORATE GOVERNANCE

Good governance is conclusively the indicator of personal beliefs and values that configure the organizational beliefs, values and actions of its Board. The Board, which is a main functionary is primary responsible to ensure the value creation for its stakeholders. In the absence of clarity on designated role and powers of the Board, it weakens the accountability mechanism that subsequently, threatens the achievement of organizational goals. Therefore, the key requirement of good governance is the clarity on part of identification of powers, responsibilities, roles and accountability of top position holders, including the Board, the Chairman of the Board and the CEO. In such cases, role of the Board should be clearly documented in a Board Charter, which can be followed throughout. To elaborate the above discussion, following are the essential elements of good corporate governance:

- ➢ A well-structured Audit Committee setup is required to work as liaison with the management, internal and statutory auditors. Importance of such is to review the adequacy of internal control and compliance with significant policies and procedures, reporting to the Board on the key issues.

- Accountability towards the stakeholders with an objective to serve the stakeholders through strong and sustained communication processes at a regular interval.
- Clear documentation of company's objectives as a part of long-term corporate strategy including an annual business plan together with achievable and measurable performance targets.
- Effective whistle blower policy is another element, whereby the employees may report to the top management about any suspected frauds, unethical behavior or violation of company's code of conduct. Appropriate mechanism should be in place for adequate safeguard to such employees.
- Emphasis on healthy management environment, which includes appropriate ethical framework, clear objectives, establishing due processes, clear enunciation of responsibility and accountability, sound business planning, establishing performance evaluation measures.
- Fair and unambiguous legislation and regulations.
- Fairness to all stakeholders.
- Focus on social, regulatory and environmental concerns
- Identification and analyzing risk is an important element of corporate functioning and governance, which should be appropriately taken into consideration as remedial measures. This can be well settled by formulating a mechanism of periodic reviews of internal and external risks.
- To be specific on norms of ethical practices and code of conduct that is required to be communicated to all the stakeholders.
- Transparency and independence in the functioning of the Board, where Board should provide effective leadership for achieving sustained prosperity for all stakeholders, which can be possible by providing independent judgment in achieving the company's objectives.

IV. ADVANTAGES OF CORPORATE GOVERNANCE

Corporate governance has a unique and important place for the companies and different stakeholders. Following corporate governance codes benefits the owners and managers of companies and increase transparency and disclosure by enhancing access to capital and financial markets. It emphasizes to survive at a crucial period in an increasingly competitive environment through mergers, acquisitions, risk reduction and partnerships through asset diversification. Corporate governance ensures to provide an exit policy with a smooth inter-generational transfer of wealth and divestment of family assets that can reduce the chance for conflicts of interest. It leads to a greater accountability, better system of internal control and better profit margins for the company. It also provides higher potential for future diversification, excessive growth, attracting equity

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investors (nationally and abroad), and reduction in the cost of credit for corporations.

Corporate governance can provide proper incentives for the board and management that match the objectives, which are in the interest of the company and the shareholders. It ensures greater security to the investment of the shareholders. It creates an environment, where shareholders are sufficiently informed on decisions concerning fundamental. From various empirical researches, it has been found that majority of global institutional investors are willing to pay a premium for the shares of a well-governed company over the other poorly governed companies, which have an impressive and comparable financial record.

V. CONCLUSION

Corporate governance plays a pivotal role in shaping the functioning and reputation of organizations worldwide. This paper has explored various aspects of corporate governance, focusing on its significance, principles, mechanisms, and challenges.

The analysis of corporate governance principles has emphasized the importance of transparency, accountability, fairness, and responsibility. These principles serve as a foundation for building trust among stakeholders, including shareholders, employees, customers, and the wider society. By aligning the interests of various stakeholders, effective corporate governance fosters sustainable growth and mitigates conflicts of interest.

Throughout this study, it became evident that well-structured corporate governance mechanisms are essential for guiding decision-making processes within organizations. Boards of directors, audit committees, and executive compensation systems act as key components in ensuring checks and balances. By facilitating oversight and risk management, these mechanisms contribute to the long-term success of corporations.

Furthermore, the paper has highlighted the growing role of technology and digital transformation in the context of corporate governance. The integration of advanced technologies, such as artificial intelligence and blockchain, has the potential to enhance transparency, streamline reporting, and strengthen shareholder engagement.

Nevertheless, corporate governance faces several challenges that need to be addressed proactively. Issues such as board diversity, executive compensation, and shareholder activism require continuous evaluation and improvement. Additionally, the global nature of many corporations demands a cohesive approach to governance practices across borders.

In conclusion, corporate governance remains a fundamental aspect of modern business practices. It provides a framework for responsible decision-making, risk management, and accountability, thereby safeguarding the interests of stakeholders and promoting sustainable growth. As organizations navigate an increasingly complex and interconnected business landscape, an ongoing commitment to robust corporate governance is critical to building resilient, ethical, and successful enterprises. By embracing the principles of transparency, fairness, and accountability, corporations can inspire confidence among investors and the public, ultimately contributing to a thriving and trustworthy global economy.

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