

## *Book review*

# Corporate governance in India

Jayanti Sarkar and Subrata Sarkar, 2012, Sage Publications

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It is widely believed among sustainability practitioners that while the boards have improved significantly in the past few decades; they have not kept pace with the need for real change. *Corporate Governance in India* by Jayanti Sarkar and Subrata Sarkar provides an excellent overview of contemporary issues in corporate governance in India with primary focus on the corporate governance framework in the country and the relationship between managers and shareowners, as well as other stakeholders.

Corporate governance has increasingly become a popular topic in recent years, with many consultants, academicians, and others professing to be experts in the field. Corporate governance, by its very nature, is an extremely diverse and wide-ranging subject, addressing concepts, such as the responsibilities of corporations, the relationships between directors and shareholders, the accountability of boards, the nature and focus of corporate activity, and the role and interests of parties, such as creditors, regulators, and employees, and their importance in the corporate sphere.

It is difficult to clarify all aspects of corporate governance in one book, but the authors have been able to cover all key issues on the subject. In developing the book, the authors have taken the general approach to regard the board as being at the heart of corporate governance, so that corporate governance is concerned with both the accountability of the board to the stakeholders

and the latter's exercise of external control. Overall, the book is detailed, thorough, and easy to read and follow. The authors' great strength lie in their ability to describe effortlessly all key subjects related to governance issues. The book is organized into a series of discrete and largely independent chapters making it an easy guide to equip the reader with the practical aspects of the topic.

The book has been well structured with a cohesive thread throughout the various chapters. It is more in the style of an academic monograph than a standard text, but has a thorough and clear treatment of its subject. One of the most valuable features of this book is its ability, despite its clear focus on the Indian position, to also offer a contextual approach through a consideration of relevant developments internationally, and to take into account global movements.

While the first three chapters provide the basic institutional structure, corporate governance framework, and key issues in the Indian corporations, the subsequent chapters of the book aim at the six specific governance mechanisms: the Role of Large Shareholders, Board of Directors, Executive Compensation, Auditor and Auditor Committee, Market for Corporate Control, and Disclosure and Enforcement. The book is very much a practical guidebook collecting all the various original materials and commentaries to do with the above subjects. The authors have provided a very detailed overview

and critical analysis of the specific regulations in India dealing with the above subjects along with the observed trends in the past few years (supported with lots of data from various sources). The authors have tried to suggest future reforms in the various chapters. However, it might have been helpful to have set this out in a separate section along with a table of statutes.

It presents a comprehensive analysis of evolution of the various corporate governance mechanisms in India and provides valuable information to assist the reader in evaluating their effectiveness and applicability in light of the institutional structure where the Indian companies operate. The authors have provided various comparative tables, data, and information on various regulatory mechanisms in various developing and developed economies in most of the chapters to provide a better insight on the subject.

Yet another example of a flow chart or diagrammatic treatment that renders the book of overall practical value is the diagrammatic description of the ownership complexity in some of the leading Indian corporations (Chapter: Agency problems in Indian corporations). Another particular virtue of the book, however, is the presence of international examples and comparative content. There are valuable discussions of the relevant American and European positions, which add to the work's overall practical slant. These entries and contributions will be of immense value to the readers who want to draw a parallel among corporate governance issues among the corporations operating in varied geographies.

One of the more interesting and creative chapters is the one on Market for Corporate

Control. Like many, the authors observe that the "Market" is an external governance mechanism that may be effectively used for governance when internal mechanisms are ineffective in solving the agency problems. The authors explain how the possibility of a takeover acts as a threat to incumbent managers from taking the actions, which may destroy the shareholder value of the firm. The authors have effectively highlighted the current and proposed takeover regulations and presented some of the recent takeover trends in the Indian market.

The authors have amply covered the governance laws and regulations in the concluding chapter of the book. They have tried to critically analyse the quantity and quality of disclosure requirements in the country. One of the interesting sections in the chapter is the analysis of state of compliance and enforcement of governance regulations in the country where the authors have provided some statistics on enactment of laws and trends in prosecution and resolution of investor grievances.

Almost all of the chapters of this hefty volume of almost 560 pages deal with the empirical facts and statistics on various governance-related issues. The volume is a virtual encyclopedia of contemporary thought on many of the most important issues in corporate governance in India. The book, or excerpts from it, would make a great companion to a corporation's course because of its critical analysis and authors' suggested reform options. Hopefully, the recent global financial crisis has demonstrated the value of such discussion and what happens when accountability mechanisms are lacking, misplaced, or fail.