

Role Of Board Of Directors In Corporate Governance Of Telecommunication Companies

*Snigdha Mishra, #V.S. Sundaram

*Research Scholar, #Professor, Faculty of Commerce, BHU, Varanasi, India.

*snighda0910@gmail.com, #sundaram.bhu@gmail.com

Abstract - A Key factor influencing the corporate governance mechanism of any organisation is the composition and structure of the Board of directors. Every company should seek to work in the interest of the shareholders. So the companies have agreed to comply the provisions of clause 49 of Listing agreement act .This paper focuses on the study of board composition and structure of Telecommunication companies and to see is there any significant difference in the Board composition of 5 selected companies. This paper also traces the Role of Board of Directors and its significant impact on increasing the overall reputation and efficiency of the organisation. The Board of Directors is vested with the responsibility of guiding and reviewing the Company's overall management philosophy and direction. It is the foremost duty of the Board to be continuously involved making strategies plans and policies in order to achieve its growth and profitability objectives. This paper has tried to identify differences in the composition of Board of directors among various Telecommunication Companies. It seems self- evident that a board's role depends largely on the nature and type of strategic challenges faced by the individual company and by the industry as a whole.

Keywords: Corporate Governance, Board of Directors, Clause 49, telecommunication, management, governance

I. INTRODUCTION

Corporate Governance is defined as a system which is responsible for governing a company. In the era of international standards and competition it is required to run in the professional interest of the investors. It is a current buzzword all over the world as well as gaining importance in Indian context. Good Governance being the need of the hour has become the expectation of every shareholder. Transparency and disclosures are two important pillars of Corporate Governance. SEBI has enshrined the Clause 49 in the Equity Listing Agreement (2000) which has now become a standard for Corporate Governance in India. Clause 49 of the Listing Agreement has been formulated for the improvement of Corporate Governance in various listed Companies. There has been various amendments various changes in the definition of independent director strengthening the responsibilities of audit committee improving the quality of Financial Disclosures and also things relating to related party transactions. There was an objective to align the provisions of Companies Act 2013 and Clause 49 so as to make Corporate Governance norms more effective. A good corporate governance system should combine some type of large investors with legal protection of rights of them and small investors. The Corporate Governance mechanisms are the focus of recent regulations and prior studies are attributes related to the organization and functioning of the board in general . [1] The essence of good Corporate Governance is a

framework which ensures transparency and accountability in an organisation.

ROLE OF BOARD OF DIRECTORS IN TELECOMMUNICATION COMPANIES :

The board of directors is one among the many elements of Corporate Governance structure.

Directors are being appointed by the shareholders of the company and the board appoints one or more of them as managing director, executive director and whole time directors of the company. Their role and responsibility in a company vary according to the type of position they hold in an organisation.

According to section 2(13) of the Indian Companies Act director is defined as follows "A director includes any person occupying the position of director by whatever name called" A board is the heart and soul of the company. The primary role of the Board of Directors is to monitor management on behalf of the shareholders. Board of Directors act as link between the shareholders who provide the capital (shareholders) and the people who use that capital to create value (the managers) [2]. Being at the apex the basic responsibility of the Director is to exercise their business judgement in what they reasonably believe to be in the best interest of the shareholders. They have various essential duties in their professional capacity like to attend Board meetings, meetings of committee on which they serve and various annual meeting of the shareholders.

The goal of good governance is to ensure that the board is committed to generate maximum extensive wealth to the shareholders and various other stakeholders. The decisions taken by the shareholders should always be in the best interest of the stakeholders. [3] The universally accepted principle is that the board of directors act as fiduciaries and other stakeholders interest". The most important function of the board is laid down in "Report on the financial aspect of Corporate Governance issued in 1992 by the Cadbury Committee that brought forward the role that Corporate Boards can play in Governance are basically to define a company's purpose to strategize and draw up plans to achieve that purpose, to appoint the chief executive, to monitor and assess the increasing consensus worldwide on the need to have boards [4]. Therefore Board is the highest policy making body in a corporation. Every corporation in the world is led by a board of directors. Corporate boards have been vested with great powers and responsibility. The board of directors is one of a number of internal governance mechanism that are to be intended to ensure that the interest of shareholders and managers are closely aligned and to discipline or remove ineffective management teams. [5]. The basic principle of Corporate Governance is that the Shareholders elect the Board of Directors who in turn select the top management. The monitoring role of the Board of Directors is an important component of Corporate Governance and will pay due attention to it. [6]. The importance of the board as a Governance structure is easy to underestimate in the light of multiplicity of agency cost control mechanism in operation in typical large corporation. [7].

II. LITERATURE REVIEW

1. Sumaira Jan & Mohi ud Din Sang (2016) In this paper "The Role of Board of Directors in Corporate Governance" This paper discusses about the role of Board of directors in the company. It concludes that in Private Limited Companies or the Public Companies, the role and responsibility of the Directors and Board of Directors depends on the regulations in the article of the company and the provisions of the Companies Act 1956. While on the other hand when it comes to listed public companies, other provisions like SEBI guidelines, regulations provisions in the Listing Agreement etc.

2. Ayman Mohamed Zerban Abdullah M and Abdullateef M (2017) This paper " Corporate Governance and Board of Directors Responsibilities : The case of Saudia Arabia. The basic aim of this research is to highlight basically a case of Corporate Governance and board responsibilities in one of the financial institution in Saudi Arabia which examines compliance and whatever is done in order to strength Corporate Governance principles. This paper concluded that there is a need to design a system of governance in which it will be easy to the board of directors to monitor and ensure that managers are fulfilling their responsibilities. The board should control

the process of appointing executives and assessing their actions. Good corporate Governance for encouraging investment in the process of stock market development.

3. Md Shamimul Hasan, Norman Omar, Morrison Handley Schachler (2015) in the paper "The importance of Corporate Governance in promoting Business, person and reality focuses an in depth analysis on importance and role of Corporate Governance for enhancing corporate performance. The findings of this paper would inspire management and the Board of directors to improve Corporate Governance system for enhancing revenues and values. Therefore the results of this paper indicate a positive role of Corporate Governance in generating revenue.

4. Renee Adams Benjamin E Hermalin Michael S. Weisbach(2008) This paper " The Role of Directors in Corporate Governance: A conceptual framework and survey" clearly explains that the role of Boards of Directors has been given much attention lately. If firm sets their governance structure optimally given the constraints then the long run performance of those firms for which the new regulations bind should be worse than that of those firms who are already in compliance. [8]

5. Daniel P. Forbes and Frances J. Miliken(1999) In the paper " Cognition and Corporate Governance : Understanding Board of Directors as Strategic Decision [9]Decision making groups has described the Board of Directors as the formal link between the shareholders. They have commonly considered the board as the apex of the institution and they have a major role in the Firms decision control.

6. Pablo de Andres Eleutrio Vallelado(2008) In this paper " Corporate Governance in Banking : The role of the board of Directors a sample of large international commercial banks to test the hypotheses on the dual role of boards of Directors . with regard to this suitable econometric model has been used to solve the well known endogeneity problem in Corporate Governance literature. The results of this paper clearly demonstrates that bank board composition and ability are related to directors ability to monitor and advise management and that larger and not excessively independent boards might prove more efficient in monitoring and advising functions and create value. [10]

SIGNIFICANCE OF THE STUDY:

Board of Directors are the most important body in a company and is responsible for investors protection. This study has tried to evaluate the present structure of Board of directors in selected telecommunication companies and to observe whether or not there is any significant difference in the composition of executive, Non- Executive and Independent directors among the respective companies. Size of the board is considered to be a very important

factor in the effectiveness of a board. A large number in board may bring a greater number of directors with experience on the other hand a reduced number of directors with experience implies a very high degree of coordination and communication between the managers. Composition of directors is a very important element of good governance. [11]. So the Board of directors are an important constituent of the corporate Governance mechanism. Various studies and literature has proved to say that Board is a key factor in good CG and is significantly and positively correlated with the generation of revenue. Being a forward moving strategy it can enrich the organization and increase the adaptability of the organisation. Corporate growth is also related to the size and quality of the Board of Directors in an organization. Various policies in the favour of the stakeholders should be implemented from time to time in order to increase the trust and worthiness of the interested parties. [12]

OBJECTIVES OF THE STUDY:

1. To study about the Appointment of women director among selected Telecommunication Companies.
2. To study about the Number of Board of Directors among selected Telecommunication Companies.
3. To study about the Number of Non -Executive Director among selected Telecommunication Companies.
4. To study about the Number of Independent Director among selected Telecommunication Companies.
5. To study about the Role of Board of Directors in the Corporate Governance Structure.

III. RESEARCH METHODOLOGY

The study primarily focuses on studying the difference in the Corporate Governance practices of Telecommunication Companies. The period of study is 10 years i.e. 2007-08 to 2016-17 .The number of sample companies included in this paper are 5. For this purpose both public and private sector companies have been considered for study. The data has been tabulated from the Corporate Governance section of the Annual Report of the respective companies. Various newspaper, articles and Journals have also been referred for writing this paper. For analysing the above data Kruskal Wallis Test has been used. The normality of the above data has been checked and as the data has been found to be not normally distributed so Non Parametric Test has been applied. Thus Kruskal Wallis Test has been applied using SPSS software. Kruskal Wallis test is used for comparing two or more independent samples of equal or different sample sizes. As in this case more than two companies have been used for comparison therefore Kruskal Wallis test has been used. The results of the Test

have been tabulated and has been graphically presented in order to show a clear interpretation of the result.

HYPOTHESIS OF THE STUDY

1. There is no significant difference in the appointment of Women Director among Telecommunication companies under the study.
2. There is no significant difference in number of Board of Directors among Telecommunication Companies under the study.
3. There is no significant difference in number of Non – Executive Director among Telecommunication companies under the study.
4. There is no significant difference in number of Independent Directors among Telecommunication Companies under the study.

1. APPOINTMENT OF WOMEN DIRECTOR

In today’s era a woman can not only play a simple role in the corporate world but should be a part of the higher level decision making process. Gender diversity continues to become a global issue. The need for making sure that women has a say in the Board of directors has become inevitable now a days. Section 149(1) read with Rule 3 of Companies Rule 2014 Companies are required to appoint 1 woman director. A Company whether a public or a private concern will be required to mandatorily appoint at least one woman director if any one of the following criteria is satisfied.

1. Every listed company whose securities are listed on any stock exchange.
2. Every other public company having-
 - A. Paid up share capital of 100 Crores or more or
 - B. Turnover of 300 Crores rupees or more

All the companies which were incorporated under the Companies Act 1956 and all those Companies which were covered under section 149(1) were provided with the time limit to comply with such provisions within a period of six months of its incorporation. The penalty for non-compliance of fine of Rs. 10000.

HYPOTHESIS: There is no significant difference in the appointment of Women Director among Telecommunication companies under study.

TABLE NO. 1 – NUMBER OF WOMEN DIRECTOR

YEAR	AIRTEL	BSNL	IDEA	RELIANCE	TATA
2007-2008	2	0	1	0	0
2008-2009	2	0	2	0	0
2009-2010	2	1	2	0	0
2010-2011	2	1	2	0	0
2011-2012	2	1	3	0	0

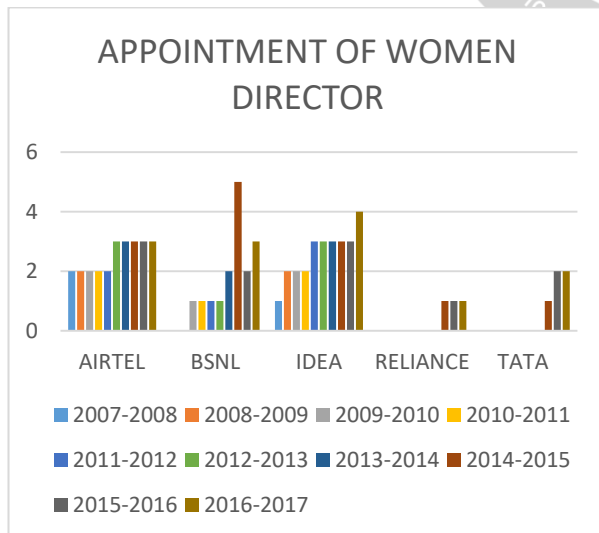
2012-2013	3	1	3	0	0
2013-2014	3	2	3	0	0
2014-2015	3	5	3	1	1
2015-2016	3	2	3	1	2
2016-2017	3	3	4	1	2

SOURCE: ANNUAL REPORTS

From the above table it can be very well observed that women directors are being appointed in all the Companies during the tenure of last 10 years. When comparing the above companies it is found that BSNL has not appointed Women director for two consecutive financial years i.e. 2009-10 and 2010-2011. We can say that Airtel has complied with the mandatory requirement during the period of last 10 years. Idea has also appointed women directors during the period of study . However, Reliance and Tata Teleservices has not maintained required the number of women director from the year 2007-08 to 2013 -14. Women director has been appointed only in the last 3 years in the companies under study.

KRUSKAL WALLIS TEST

TELECOMMUNICATION COMPANIES	N	MEAN RANK	TEST STATISTICS
AIRTEL	10	37.25	Chi square = 29.773
BSNL	10	25.70	
IDEA	10	37.95	Df = 4
RELIANCE	10	12.25	
TATA TELESERVICES	10	14.35	P value =.000
TOTAL	50		
MEAN		1.5	
STANDARD DEVIATION		3.1	



From the above table it is found that the calculated p - value is less than the significant value .05 at 5% level of significance Therefore the Null Hypothesis is rejected and in this case we can conclude that there is a significant difference in the appointment of women director among

Telecommunication Companies taken for study. The Mean value calculated from the above table is 1.5 and the standard deviation is 3.1. This shows that the values are close to each other and there is not much difference among all the variables. The mean rank of idea is recorded as highest and therefore it can be said that Idea has maintained the highest number of women directors over a period of last 10 years. On the other hand the lowest mean rank is that of Reliance i.e. 12.25 which shows that it has maintained the lowest number of women director among the Telecommunication Companies under study.

SUGGESTION: The respective companies should have to take adequate steps to maintain the required number of women director. Reliance limited can increase the number of women directors in their Board of directors.

A Board of Director can be best defined as a recognized group of people who jointly gauge the activities of an organisation, which can either be a profit non -profit Organisation or a Government agency. They can also be referred as a group of individuals which have been elected to represent the stockholders. The board of directors should be a representation of both management and shareholder interest and consists of both internal and external members. Section 149 of the Companies Act 2013 has put the following mandatory requirement of the directors in the companies and they are

1. Every Public Limited Company shall have at-least minimum of three Directors.
2. Every Private Limited Company shall have at-least one minimum of two directors.

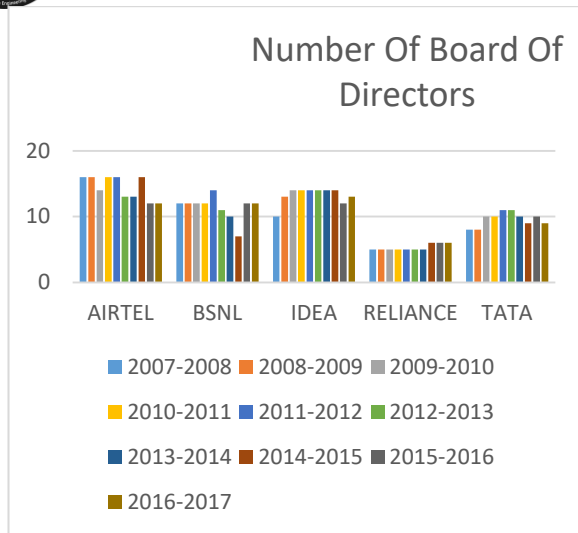
It is permitted as per the above stated companies act. A company shall have maximum of 15 directors. It may appoint more than 15 directors but by passing special resolution.

HYPOTHESIS: There is no significant difference in number of Board of Directors among Telecommunication Companies under the study.

TABLE NO. 2 NUMBER OF BOARD OF DIRECTOR

YEAR	AIRTEL	BSNL	IDEA	RELIANCE	TATA
2007-2008	16	12	10	5	8
2008-2009	16	12	13	5	8
2009-2010	14	12	14	5	10
2010-2011	16	12	14	5	10
2011-2012	16	14	14	5	11
2012-2013	13	11	14	5	11
2013-2014	13	10	14	5	10
2014-2015	16	7	14	6	9
2015-2016	12	12	12	6	10
2016-2017	12	12	13	6	9

Source: Annual Report



From the above table it can be very well observed that all the Telecommunication companies taken under the study have maintained the minimum number of Board of directors i.e. 2 in case of private and 3 in case of public companies. However Airtel has maintained the most number of directors over a period of last 10 years it has also maximum appointed more than the maximum limit 15 i.e. during some of the years but a special resolution has been passed so as to maintain an increased number of Board of Directors for the respective years.

Source: Annual Report of Telecommunication Companies.

TELECOMMUNICATION COMPANIES	N	MEAN RANK	TEST STATISTICS
AIRTEL	10	41.05	Chi square = 39.968
BSNL	10	26.80	
IDEA	10	36.75	Df = 4
RELIANCE	10	5.50	
TATA TELESERVICES	10	17.40	P value = .000
TOTAL	50		
MEAN		10.78	
STANDARD DEVIATION		3.48	

From the above table it is found that the calculated p value is less than the significant value .05 at 5% level of significance and therefore the Null Hypothesis is rejected and in this case it is concluded that there is a significant difference in the appointment of members of board of director among Telecommunication Companies taken for study. The Mean value calculated from the above table is 10.78 and the standard deviation is 3.48. This shows that the values are close to each other and there is much difference among all the variables. The mean rank of Airtel is recorded as 41.05 which is highest and therefore it can be said that Airtel has maintained the highest number of directors over a period of last 10 years. On the other hand the lowest mean rank is that of Reliance i.e. 5.5 which shows that it has maintained the lowest number of director among the Telecommunication Companies under study.

A Non- Executive director is a member of the Board of director of a company or organisation who does not form a part of the Executive team. A Non- Executive Director does not engage or less than 50 percent of the BOD should comprise of Non- Executive Directors and they do not engage in day to day management of organization but it is involved in policy making and planning. The Non- Executive Director have a mentoring role to they give advise to the Board of Directors.

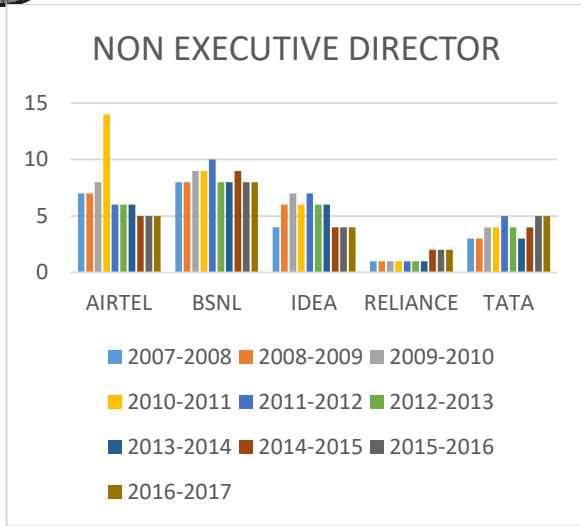
The Non -Executive Director plays a key role in appointment of executive directors and has a prime role in determining appropriate levels of remuneration of Executive Directors. He does not involve himself in day to day policy making and planning activities. As the Cadbury Report said, they “should bring an independent judgement to bear on issues of strategy, performance and resources including key appointments and standards of conduct”.

It has become widely known that for proper running of the companies as well as the economies as a whole contribution of Non- Executive Director is very important. They help in giving strategic direction and also in monitoring performance besides being responsible for determining the appropriate levels of remuneration

Table no. 3 Number of non executive director

YEAR	NON- EXECUTIVE DIRECTOR				
	AIRTEL	BSNL	IDEA	RELIANCE	TATA
2007-2008	7	8	4	1	3
2008-2009	7	8	6	1	3
2009-2010	8	9	7	1	4
2010-2011	14	9	6	1	4
2011-2012	6	10	7	1	5
2012-2013	6	8	6	1	4
2013-2014	6	8	6	1	3
2014-2015	5	9	4	2	4
2015-2016	5	8	4	2	5
2016-2017	5	8	4	2	5

SOURCE: ANNUAL REPORTS



HYPOTHESIS: There is no significant difference in number of Non - Executive Director among the Telecommunication companies under study.

KRUSKAL WALLIS TEST

TELECOMMUNICATION COMPANIES	N	MEAN RANK	TEST STATISTICS
AIRTEL	10	33.15	Chi square = 41.398
BSNL	10	44.20	
IDEA	10	26.70	Df = 4
RELIANCE	10	5.50	
TATA TELESERVICES	10	17.95	P value =.000
TOTAL	50		
MEAN		5.2	
STANDARD DEVIATION		2.84	

From the above table it is found that the calculated p value is less than the significant value .05 at 5% level of significance Therefore the Null Hypothesis is rejected and Further in this case it can be concluded that there is a significant difference in number of Non –Executive Directors of Telecommunication Companies taken for study. The Mean value calculated from the above table is 5.2 and the standard deviation is 2.84. This shows that the values are close to each other and there is not much difference among all the variables. The mean rank of BSNL is recorded as 44.20 which is highest and therefore it can be inferred that Airtel has maintained the highest number of directors over a period of last 10 years. On the other hand the lowest mean rank is that of Reliance i.e. 5.5 which shows that it has maintained the lowest number of Non- Executive Director among the Telecommunication Companies under study.

SUGGESTION: RELIANCE LIMITED can increase the number of Non -Executive Director in their Board of Director.

NUMBER OF INDEPENDENT DIRECTOR

As per Clause 49 of Listing Agreement of SEBI

“An Independent Director is a director of a board of directors who does not have a material relationship with the company or related person except sitting fees”

As Per sub section 6 of Section149 of the Act, Independent Director means a director means a director other than a managing director or whole time Director or a nominee director.

Where the chairman of the board is Non- Executive, at least one third of the directors should be Independent directors in case the chairman is Executive, at -least half of the board to be Independent Director.

Table no 4. Number of independent directors

YEAR	AIRTEL	BSNL	IDEA	RELIANCE	TATA
2007-2008	6	6	4	4	3
2008-2009	10	6	6	4	4
2009-2010	6	7	6	4	5
2010-2011	6	8	5	4	5
2011-2012	6	6	7	4	5
2012-2013	8	7	7	4	5
2013-2014	9	8	7	4	5
2014-2015	9	6	7	4	4
2015-2016	7	7	7	4	3
2016-2017	7	8	7	4	4

SOURCE: Annual Reports

From the above table it can be observed that the selected Telecommunication Companies are following and has maintained the required number of Independent Directors.

HYPOTHESIS: There is no significant difference in the number of Independent director among Telecommunication Companies under the study.

TELECOMMUNICATION COMPANIES	N	MEAN RANK	TEST STATISTICS
AIRTEL	10	37.85	Chi square = 34.951
BSNL	10	36.05	
IDEA	10	31.20	Df = 4
RELIANCE	10	9.50	
TATA TELESERVICES	10	12.90	P value =.000
TOTAL	50		
MEAN		5.78	
STANDARD DEVIATION		1.68	

From the above table it is found that the calculated p - value is less than the significant value .05 at 5% level of significance Therefore the Null Hypothesis is rejected and in this case it can be concluded that there is a significant difference in number of Independent Directors of Telecommunication Companies taken for study. The Mean value calculated from the above table is 5.78 and the standard deviation is 1.68. This shows that the values are close to each other and there is not much difference among all the variables. The mean rank of BSNL is recorded as 44.20 which is highest and therefore it can be said that The Airtel has maintained the highest number of directors over

a period of last 10 years. On the other hand, the lowest mean rank is that of Reliance i.e. 9.5 which shows that it has maintained the lowest number of Non- Executive Director among the Telecommunication Companies under study.

IV. CONCLUSION

From the above analysis it is concluded that selected Telecommunication Companies have followed and maintained the required number of Board of Directors such as Executive Director, Non-Executive Director and Independent Director as per Corporate Governance norms of Clause 49. Since all the companies are following the required number of members in the Board it is concluded that the selected companies are following the CG norms strictly and efficiently. Role of Board of Directors is an inevitable part of Corporate Governance structure and role in the company. It can therefore be inferred that the role of the Board of Directors within the Corporate Governance structure is to ensure the prosperity of the organisation by collectively directing the affairs of the organisation.

REFERENCES

- [1] M. I. H. Jerry w. lin, "Audit Quality, Corporate Governance and Earnings Management : A meta analysis," *International Journal of Auditing*, vol. 4, no. 1, 2010.
- [2] S. Jan and Mohi-ud-Sangmi, "The Role of Board of Directors in Corporate Governance," *Imperial Journal of Interdisciplinary Research*, vol. 2, no. 5, 2016.
- [3] D. M. M. MS. Aparna Bajpai, "Emperical study of board and corporate Governance practices in Indian Corporate sector," *Symbiosis institute of management studies annual research conference*, no. 11, pp. 42-48, 2013.
- [4] j. sarkar, "Board independence & corporate governance in India : recent trends and challenges ahead," *indian Journal of industrial relations*, vol. 44, no. 4, pp. 576-592.
- [5] H. K. M. C. S. J. Gray, "Corporate Governance and Board Composition : diversity and independence of Australian boards," *Corporate Governance : An international Review*, vol. 15, no. 2, 2007.
- [6] K. J. L. W. Senbet, "Corporate Governance and Board effectiveness," *Journal of Banking and Finance*, pp. 371-403, 1988.
- [7] B. D. B. H. N. Butler, "Corporate Governance and the Board of Directors : Performance Effects of changes in Board composition," *Journal of Law, Economics & Organisation*, vol. 1, no. 1, 2018.
- [8] R. A. M. S. W. B. E. Hermalin, "The Role of Board of Directors in Corporate Governance : A conceptual framework and survey.," *NATIONAL BUREAU OF ECONOMIC RESEARCH*, 2008.
- [9] D. F. F. Miliken, "Cognition and Corporate Governance : Understanding Boards of directors as strategic decision making," *Academy of management review*, vol. 24, no. 3, 1999.
- [10] P. d. A. E. Vallelaldo, "Corporate Governance in Banking : The role of Board of directors," *Journal of Banking and finance*, vol. 32, no. 12, pp. 2570-2580, 2008.
- [11] N. O. , M. H. S. MD Shamimul Hasan, "The importance of Corporate Governance in promoting Business : Perception and Reality," *International Conference on Islamic Economics, Governance on social enterprises*, pp. 1-14, 2015.
- [12] C. J. G. Martin, "Boards of Directors : composition and effects on the performance of the firm," *Economic Research*, vol. 31, no. 1, 2018.