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# DRIVING ACCOUNTABILITY THROUGH CORPORATE GOVERNANCE – AN ASSESSMENT OF FACTORS

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**Abstract**
This paper details the development of corporate governance scorecard taking board parameters, governance activism, shareholders' rights and corporate social responsibility as base. It also explains the perceptions of respondents which have been gathered through the analysis of questionnaires on various parameters of corporate governance. It can be concluded that the construction of composite index is a requirement of the day. Relatively few studies have addressed all the parameters of corporate governance. Importance has been given to the presence of independent directors, financial or technical director, experience of directors and their performance evaluation under board practices. The presence of remuneration committee with independent directors was the most important out of governance mechanism. The compliance with Listing Obligations and Disclosure Requirements 2015, existence of postal ballot system of voting and no restriction on right of shareholders to vote ranked highest out of shareholders' rights category. The corporate social responsibility has been considered to be a relevant aspect which got the highest mean weight from respondents. The existence of retirement pay for outside directors, presence of nomination committee, relevance of non-audit fees to auditors, participation of institutional shareholders in governance process got the lowest ranks

**Key words:**
Corporate governance, independent directors, audit committee, remuneration committee, whistle, blower

Corporate governance spells out how companies are controlled and managed. These controlling and managing activities are far more basic as compared to profitability and performance of companies. They lay the foundation for future progress of business and ensure accountability. Once these are in place, firms are free to go about their way in creating shareholder value and registering growth. The priority of management is to increase shareholder value in the long term and make certain that a corporation should be a good citizen through open and fair business activities and true reporting. It is about commitment to values and about ethical business conduct. It also includes fulfilling the responsibility towards all stakeholders. New investors can be encouraged to invest in corporate securities only when there is credible corporate governance in force. Good governance is a source of competitive advantage among economies for attracting international capital. All this creates a need to measure the governance practices of the companies and for this purpose corporate governance index has been developed. A number of empirical studies, both international and national have used corporate governance indexes. Some have constructed their own indexes while others have used already developed indexes.

It started with Berle and Means (1932) who discussed the separation of ownership and control in the organizations with their pros and cons. Further, the framework laid out by Jensen and Meckling (1976) defined that agent-managers' interests are not always aligned with the principal-owners' and monitoring devices to align their interests describe firm's corporate governance. Grossman and Hart (1983) described agency problem as a conflict between the interests of managers and shareholders which causes managers to actions that are costly to shareholders. The solution to this is providing ownership to managers that may be used to bring consistency in the interests.

Carlsson (2007) discussed the corporate governance practices in Sweden. There was a clear distinction of rights between shareholders, board and executive management. The board constituted fully of non-executive directors accountable to shareholders. The differential voting rights were prevailing in Swedish companies but at the same time there were small shareholders' associations.

Nomination committee also existed to evaluate the performance of board. Carver (2007) concluded that corporate governance is beyond the codes and its objective is to ensure shareholders' value. The investors should become more vigilant and board should bring integrity and transparency through voluntary practices. Lin and Hu (2007) compared the presence of family member as CEO or professional CEO in the organization taking a sample of 375 firms listed on Taiwan Stock Exchange. The paper suggested that the professional managers cannot operate effectively in family controlled firms. Markarian et al. (2007) discussed about the convergence of various governance systems. The study offered insights into recent changes in corporate governance patterns and confirmed that effective, transparent and accountable corporate governance was essential for corporate growth. Anglo-Saxon firms over the world have more disclosures regarding governance matters than non-Anglo-Saxon firms. It also associated increased disclosures with market liquidity, reduced cost of capital and greater overall transparency.

Zattoni and Cuomo (2008) focused on the various codes issued in 60 countries till 2005 and their importance to investors and other stakeholders. The study concluded that countries with strong protection of investors' rights have developed lesser codes than countries with weak investors' protection. Secondly, countries which were more globalized had more pressure to harmonize and legitimate their governance practices. Most of the codes limit their recommendations to listed companies but twenty out of them have extended to non-listed companies. The important recommendations considered in the study were separation of CEO and Chairman of the board, board composition and independence, evaluation of board performance, recommendations relating to remuneration, nomination and audit committee, shareholders' rights, conflict of interest and employees' role. The board of directors, management and various board committees had key role to play for improvement in corporate governance standards.

Dulewicz (1995) gave a model which evaluated the best practices of board of directors. The model consisted of three major parts i.e. how to organize and run the board, what should be the personal competencies and knowledge level of directors, and lastly what tasks board should perform. Burk and McCandless (1997) stated that boards should be informed on questions that effect organization's accomplishments. It considered the ways in which boards should meet the obligations of accountability. Burke (1997) evaluated the selection and nomination procedure of women directors on Canadian boards. He formulated a questionnaire and took 280 women directors as respondents. These directors were recruited by search firms, recommended by CEO or board member, family affiliation or being a shareholder. The reasons for selection being the requirement of having experienced female director on the board, women with political background or having desired area of expertise. The presence of women director has a positive impact but still nomination process for qualified women has not been developed. Clifford and Evans (1997) analyzed the presence of independent directors on 100 companies randomly selected from the top 500 Australian companies listed on Australian Stock Exchange as on December 30, 1993. Ten companies out of these were trust or foreign companies and forty-three were not making any distinction between executive and non-executive directors. The paper concluded that majority of the boards have been constituted by grey and insider directors and similar pattern prevailed for audit committee members. Craven and Marston (1997) discussed the nature of investor relations and the asymmetry of information in large UK companies. He concluded that size of the organization is a key factor in determining its effectiveness in governance and a non-executive chairman appeared to contribute to well-organized and controlled investor relations. Jackson (1997) suggested that companies with chief executives who overpay themselves perform badly in terms of profits and share prices. Such companies signal weak governance and lack of alignment between individuals and shareholders' interests. Thus, compensation of chief executives and corporate governance were negatively related. Miller (1997) gave recommendations regarding separation of the Chairman and CEO role, as well as the establishment of outside governance boards. Neubauer (1997) described the process of evaluation of the chairperson by the fellow board members. Chairman appraisal form was formulated with the help of academicians and practitioners. The paper concluded that chairman is required to play an active role in committee meetings and taking decisions in favour of shareholders. Rosenstein and Wyatt (1997) assessed the stock market reactions to the appointment of inside directors. Event study methodology had been used taking 170 announcements during 1981 and 1985. Cross sectional regression analysis results showed that general reaction was close to zero but it varied with the level of stock owned by the directors concerned. The results presented fewer fluctuations with the presence of lower stake of inside directors.

Bhagat and Black (1999) discussed the trends in proportion of independent directors vis-a-vis the total number of directors of large American public companies since 1960. The study took independence of director, board size, CEO ownership, outside director ownership as independent variables and related it with profitability and growth variables over a period. The results did not depict any evidence that increase in board independence leads to improvement in firm performance but firms with supermajority-independent board performed worse than other firms. The paper suggested that independent directors may show better performance with more stock-based incentives and they should not be merely independent but more accountable to shareholders. Bart and Bontis (2003) concluded that the board of directors should not only be aware but should be actively involved in terms of determining, evaluating, influencing and eventually approving the corporate mission. Anderson et al. (2004) reported that board independence had an important effect on some corporate outcomes. They found that cost of debt is lower for firms with more board independence and is the same for the boards with fully independent audit committees. Ryan and Wiggins (2004) suggested that the boards with more outside members award the directors with higher levels of equity-based compensation, which in turn reduces the agency costs. Shivdasani and Zenner (2004) identified various corporate governance parameters and their relevance in organizations. They proved that board independence, independent nominating committee and incentive compensation for directors hold relevance but there is less support for parameter like board duality.

Board of directors have most important role to play in corporate governance. The independence of directors leads to better performance. Brennan (2006) who studied the relationship between board of directors and firm performance through expectations gap approach. It is the gap which shows what stakeholders expect and what board of directors can reasonably contribute. The paper found seven aspects of board leading to reasonableness gap which were lack of clarity and conflicting role of boards, roles negatively influencing company performance, role of management versus role of boards, interest in shareholder value, limited ability to monitor and control, differences in risk appetites of shareholders and directors and lastly, the board decisions were a result of consensus. There were five factors which lead to performance gap, the factors being difficulty in monitoring, limited ability to exercise control through firing the CEO, board did not exercise day-to-day control, information asymmetry between boards and management and boards were not independent. The results showed that board of directors contributed positively and they made tradeoffs between the extent of risk management required in generating shareholders' value versus the stability and survival of the company. Parum (2006) examined the role of board of directors in 60 Danish small and medium-sized firms. It was seen that transparency had increased with the coming up of various corporate governance recommendations (Norby Report, 2001). The board in these companies has been given the most important task of meeting the challenges of globalization and strengthening the competitiveness and hence more transparency was required so that shareholders and stakeholders remain aware. Taylor (2006) discussed that where top management has a short-term perspective, overlook the interests of employees, customers, shareholders and the media and give less importance to social and ethical considerations face problems in the long run.

Chhaochharia and Grinstein (2007) outlined the changing characteristics of corporate boards from 1997 to 2003. The number of independent directors has increased over a period of time. It was found that large firms tend to have a larger fraction of independent directors than smaller firms. The average board size has significantly decreased over a period of time for large firms. There is a little change in separation of CEO's role from that of the chairman. There was decline in the number of interlocked directors and considerable increase in directors from financial sector, retiree directors and directors from law firms. However, directors' holdings have remained stagnant over a period of time.

Dulewicz et al. (2007) conducted a research on various corporate governance aspects including the role of chairman, non-executive directors, and the non-executive director award scheme in UK. The review found few competencies in the chairmen of private companies. Raising finance through relation building was the most important function of chairmen for the success and survival of private companies. On the other hand, chairmen from listed companies led to integrity and high ethical standards and promoted the financial aspects of corporate governance. They also found variations in the responsibilities of non-executive directors in above two categories of companies. Kang et al. (2007) examined the extent of board diversity and independence in 100 top Australian corporations in 2003. 10.37 per cent of the total director positions in Australia's top companies were occupied by females. Directors of older age were present except in consumer services sector has appointed directors in a more diverse range. 83 companies had a board comprising majority of independent directors and of these 73 had an independent chairperson. Markarian and Parbonetti (2007) classified the board into insiders, business experts, support specialists and community influentials. They checked the relation between board composition and firm complexity. The results indicated that externally complex firms substitute community influential for insiders while internally complex firms have lower levels of community influential which were substituted by insiders and support specialists. Martinez and Fuentes (2007) discussed the presence of audit committee, size and independence of audit committee and its impact on qualification of audit reports. The results concluded that mere presence of audit committee did not reduce the occurrence of error but small and independent audit committee reduced the likelihood of qualified audit report. Rose (2007) examined the effect of female board representation on firm's performance. The study presented that Danish boards were still dominated by men in contrast to the UK and US boards. The author concluded that board diversification is a must even if gender was not vital for financial success of firms.

Studies have been conducted in various countries and emergence of corporate governance practices has been found to be different for different countries. This has led to variation in the period of study and further variation in attributes as well. Primary as well as secondary data has been used in studies. Authors have constructed corporate governance indexes or used variables of already developed indexes (cf. Table 1). The major objective of the study is to formulate the governance index for the measurement of corporate governance practices. For corporate governance variables, data has been collected from annual reports, websites, and databases. Questionnaires have also been formulated for determining the perception scores. The governance attributes have been related to performance variables.

The nature of data used in various studies has been explained through Table 1. Craven and Marston (1997) conducted a study on UK companies to find out the impact of Cadbury recommendations on investor relations. Beiner et al. (2005) formulated a detailed questionnaire containing thirty-eight questions based on the recommendations of Swiss code of Best Practice. Black (2001) used corporate governance rankings of 16 major Russian firms developed by Brunswick Warburg Investment Bank. The rating scale of 0-60 has been considered and high rating leads to higher governance risk. Black et al. (2005) constructed Korean Corporate Governance Index based on spring 2001 survey of corporate governance practices. This was further supplemented by the collection of data for some governance elements by sending questionnaire to 560 companies. The survey made use of 38 factors out of a total of 123 identified. It left the subjective questions. Sanda et al. (2005) used data on directors' shareholding which was obtained from the stock broking firm in Nigeria while information on board size and board composition was collected from Genmax (1998).

Corporate governance indexes are based on practices prevailing in a particular country. These practices are based on codes of best practices and listing requirements of stock exchanges. The major parameters studied were regarding the role of directors, rights of shareholders, governance mechanism including rules regarding board meetings, audit committee, remuneration committee and nomination committee, role of external auditors etc. Some studies have formulated composite index covering all the above parameters and have seen the relation of governance score with performance variables while others have seen impact of any of the above parameter on performance variable.

**Methodology**

Corporate governance practices in India are regulated through clause 49 of listing agreement earlier and now they have to comply with Listing Obligations and Disclosure Norms, 2015 issued by SEBI and National Guidelines for Responsible Business Conduct issued in 2019. Indian companies are doing much more because of their international listing obligations and due to rise in shareholder awareness. A composite corporate governance index has been developed based on questionnaire and various national and international governance practices.

The corporate governance index has been classified into four main sub-indexes (cf. Table 2).

I. Board Matters
II. Governance Mechanism
III. Shareholder's Rights
IV. Corporate Social Responsibility

Governance mechanism is further categorized into three i.e. audit matters, remuneration matters and nomination matters.

**Table 2**
**Governance Score Card**

| S. NO. | CATEGORY | PARAMETERS (NO.) | MAXIMUM SCORE |
|---|---|---|---|
| I | Board matters | 37 | 52 |
| II | Governance Mechanism | | |
| | a. Audit matters | 23 | 39 |
| | b. Remuneration matter | 14 | 14 |
| | c. Nomination matters | 09 | 09 |
| | | 46 | 62 |
| III | Shareholders Rights | 24 | 73 |
| IV | Corporate Social Responsibility | 12 | 15 |
| | Total | 119 | 202 |

**I BOARD MATTERS SUB-INDEX**

The board is accountable to the shareholders and stakeholders with regard to ensuring the strategic guidance of the company and effective monitoring of management. In order to fulfill these objectives, the board should work with certain key functions, including:

- Reviewing and guiding corporate strategy, major plans of action, risk policy and setting performance objectives.
- Overseeing the process of disclosure and communications ensuring the integrity of financial and non-financial reporting.

The board should apply high ethical standards and take into account the interests of all shareholders and stakeholders. The board must be prepared to act as a strategic player and take an active part in the company's forward-looking activities. It must supervise management's decision and dispositions on behalf of the shareholders. Thus, the board should include directors with the right qualifications and skills to develop the company's strategy and to adapt the company to present and future challenges. The main task for the board is defined as the 'strategic challenges of globalization and strengthening of companies' competitiveness',[1] so it is obvious that stakeholders and shareholders would like to know about the nomination criteria for board members, their qualifications and independence for handling these types of challenges. Therefore, composite index considered board matters as the most important.

**Table - 3**

1. See, Cadbury Report on Financial Aspects of Corporate Governance, 1992

| S.No | Board Matters |
|---|---|
| 1. | Independent directors on the board |
| 2. | Directors with financial/technical knowledge |
| 3. | Existence of experienced directors |
| 4. | Small shareholders representative on board |
| 5. | Employees representative on board |
| 6. | Lady directors on the board |
| 7. | Non-executive chairman |
| 8. | Training of the directors |
| 9. | Stock options for directors |
| 10. | System for evaluating directors |
| 11. | Nominee directors as independent directors |
| 12. | Retirement pay for outside directors |
| 13. | Shareholders approve outside directors pay |
| 14. | Board meeting solely for independent directors |
| 15. | Code of conduct for directors |
| 16. | Mandatory retirement age for directors |
| 17. | Former CEO serving on board |
| 18. | Cumulative voting for election of directors |

## II. GOVERNANCE MECHANISM

Corporate governance mechanisms and controls are designed to reduce inefficiencies. It includes internal control procedures and policies implemented by an entity's board of directors, audit committee, management, and other personnel to provide reasonable assurance of the entity achieving its objectives related to reliable financial reporting, operating efficiency, and compliance with laws and regulations. Internal auditors are personnel within an organization who test the design and implementation of the entity's internal control procedures and the reliability of its financial reporting while external auditors verify it. Thus, it has been further categorized into audit, remuneration and nomination parameters. The following parameters have been included:

**Table - 4**

| S.No | Governance Activism |
|---|---|
| 1. | Presence of the nomination committee with three members |
| 2. | Presence of the remuneration committee with three members |
| 3. | Members being independent directors |
| 4. | Presence of the investment committee |
| 5. | External auditor to be recommended by audit committee at AGM |
| 6. | Existence of other internal audit functions besides the audit committee |
| 7. | Non- audit fees being paid to auditors |

## III. SHAREHOLDERS’ RIGHTS SUB-INDEX

The shareholders’ rights which have gained importance include secure ownership of their shares, voting rights, the right to full disclosure of information, participation in decisions on sale or any change in corporate assets including mergers and new shares issues etc. The OECD and other organizations have stressed on equal treatment of all shareholders including minority and foreign shareholders. They should have equal opportunity for redressal of their grievances and violation of their rights. Any change should be made with their approval. Insider trading should be curbed and directors should disclose their material interests regarding transactions. Interested directors should not participate in resolutions. Corporate governance extends far beyond the confines of law. The quality, quantity and frequency of financial disclosures, the extent of exercise of fiduciary responsibilities and duties by boards towards shareholders and stakeholders, accountability and transparency in corporate functioning for maximizing shareholders' wealth are the progressive elements and the underlying spirit of corporate governance. Every company has its own thinking about implementation of these practices which lay down their philosophy and it should be disclosed in annual reports under corporate governance report.

**Table - 5**

| S.No. | Shareholders' Rights |
|---|---|
| 1. | Separate document to control insider trading |
| 2. | Assistance to directors by company for purchase shares |
| 3. | Existence of "Whistle blower's office" |
| 4. | Corporate governance codes of other countries |
| 5. | Compliance with Listing Obligations and Disclosure Requirements Rules, 2015 |
| 6. | Existence of compliance officer |
| 7. | Detailed report on steps taken to redress shareholders' and investors' complaints. |
| 8. | Disclosure of a system of share transfer to shareholders |
| 9. | Restricted purchase and sale of the company shares by company itself |
| 10. | Regulation of mergers, acquisitions, the sale of a large share of corporate assets, and restructuring. |
| 11. | Defining the procedure for putting proposal at shareholders meetings and for nominating directors to the board by shareholders |
| 12. | Providing percentage of cross-ownership |
| 13. | Voting restrictions on certain shareholders |
| 14. | Participation of institutional shareholders |
| 15. | Existence of concentration of ownership in the company |
| 16. | Postal ballot system of voting |
| 17. | Report on half-yearly financial performance including summary of significant events in last six months |
| 18. | Defining 'interested shareholders' to save the interests of minority shareholders |
| 19. | Disclosure of financial statements according to an internationally recognized accounting standard (IAS/ US GAAP) |
| 20. | Disclosure of name of company's auditing firm and reproduction of the auditor's report |
| 21. | Disclosure of audit fees and non- audit fees |
| 22. | List of affiliates in which it holds a minority stake |
| 23. | Disclosure of reconciliation of its domestic accounting standards to IAS/ US GAAP |
| 24. | Disclosure of ownership structure of affiliates |
| 25. | Disclosure of characteristics of assets employed, efficiency indicators (ROA, ROE etc) and any industry specific ratios |
| 26. | Discussion of corporate strategy and plans for investment in coming years |
| 27. | Disclosure of an output forecast of any kind |
| 28. | Disclosure of related party transactions and group transactions |
| | Average Score |

## IV. CORPORATE SOCIAL RESPONSIBILITY SUB-INDEX

Philanthropy is no longer limited to signing cheques for social causes and welfare programmes. The corporate world is now reaching out to community. In the words of Lumsden and Fridman (2007), "Corporate social responsibility is the continuing commitment by business to behave ethically and to contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large,".

Three ways have been suggested for corporate creation of social value-added:

- First and most important, through efficient and ethical pursuit of their core business activities, both in the workplace where they have direct control and along the supply chain where they have mixture of control and influence.
- Second, through social investment and philanthropy, not just giving money to local charities but also through sharing the company's competencies as part of the programme.
- Third, by contributing to the public policy debate, through helping government and other bodies develop appropriate fiscal, regulatory and institutional structures that facilitate achieving desired objectives.

Thus, organizations' prime responsibility is towards shareholders, but they should take care of the customers not ignoring their suppliers. The employees should be treated as partners.

**Table - 6**

| S.No. | Corporate Social Responsibility |
|---|---|
| 1 | Existence of corporate social policy and code of corporate ethics |
| 2 | Shares physical, human and management resources with its group companies |
| 3 | CSR projects for employees and/or families |
| 4 | CSR projects for the community in which it operates |
| 5 | Legal proceeding going on against the company for non-compliance of labour laws |
| 6 | Obtaining any type of certification |
| 7 | Indulging in environmentally unfriendly actions. |
| 8 | Implementation of CSR projects for its counterparts including a supplier and distributor network and consumers |
| 9 | Social, human resource audit |
| 10 | Charitable and sponsorship projects. |

**Assignment of Weights for Corporate Governance Practices**

The development of a scale or an index involves number of sub-indexes. This study has included four sub-indexes i.e. board matters, governance mechanism, shareholders' rights and corporate social responsibility. Various stakeholders have been involved in corporate governance process and they have different ideologies. Thus, to capture these ideologies and taking cues from the prior studies (Baker and Haslem, 1973; Firth, 1978; Kamalkant, 2002; Black et al. 2005; and Toudas and Karathanassis, 2007), weights have been assigned to various sub-indexes. These weights have been based on perceptions of various stakeholders namely professionals, academicians, investors, directors, business analysts, NGOs and others. The respondents were asked about the importance of various parameters i.e. board, audit remuneration, shareholders' rights, financial reporting and CSR practices in the organizations on six points scale of 0 to 5, where 5 depicts the most important and 0 for the least one. The questionnaire contained sixty-three questions. The first eighteen questions were related to board matters, followed by seven on governance mechanism, twenty-eight parameters relating to shareholders' rights and the remainder in the realm of corporate social responsibility. The questionnaires were mailed to 250 respondents out of which 175 responses were complete in all sense. The online questionnaires were sent to directors of the sample companies, foreign academicians and professionals. Table 7 shows the responses of respondents on sixty-three parameters.

**Table 7**

**Responses of Respondents**

| S.No. | | | Percentage | Parameters (average score) |
|---|---|---|---|---|

| | Category of respondents | No. of respondents | | A | B | C | D |
|---|---|---|---|---|---|---|---|
| 1 | Professionals | 50 | 28.57 | 3.93 | 3.95 | 4.07 | 4.02 |
| 2 | Academicians | 50 | 28.57 | 3.53 | 3.53 | 3.53 | 3.60 |
| 3 | Investors | 20 | 11.43 | 3.72 | 4.36 | 4.01 | 4.23 |
| 5 | Directors | 06 | 3.43 | 3.77 | 4.14 | 3.97 | 4.14 |
| 6 | Business analysts | 05 | 2.86 | 4.30 | 4.38 | 4.26 | 4.47 |
| 7 | NGOs | 05 | 2.86 | 3.44 | 3.07 | 3.55 | 3.6 |
| 8 | Others | 39 | 22.29 | 4.01 | 4.15 | 4.11 | 4.14 |
| | Total | 175 | 100 | 3.78 | 3.80 | 3.85 | 3.88 |

**Note: A-** Board Matters, **B-** Governance Activism **C-** Shareholders' Rights **D-** Corporate Social Responsibility Parameters

Table 7 shows a variation in importance given to each factor by different categories of respondents. The business analysts, academicians, investors and students have given the highest rank to corporate social responsibility while professionals (i.e. chartered accountants, company secretaries, managers, lawyers and engineers) and researchers to shareholders' rights. The directors considered governance mechanism as the most important sub-index. A lesser variation may be noted for four sub-indexes. This depicts that all the factors have been treated equally important by various respondents.

## Conclusion

It can be concluded that the construction of composite index is a requirement of the day. Relatively few studies have addressed all the parameters of corporate governance. Generally emphasis has been placed on the role of independent directors, board size, board committees and relevance of audit committee in the organization. This study has attempted to create a broad summary measure of corporate governance i.e. governance index considering four major parameters i.e. board practices, governance mechanism, shareholders' rights and corporate social responsibility. There are in all 119 factors with a total assigned score of 202. A weighted index has also been formulated taking perceptions of respondents regarding four categories of parameters. There were 175 responses and eight categories of respondents have given these responses. There was a little variation in the average weights given to each parameter i.e. the range being 3.78-3.88. Importance has been given to the presence of independent directors, financial or technical director, experience of directors and their performance evaluation under board practices. The presence of remuneration committee with independent directors was the most important out of governance mechanism. The compliance with Listing Obligations and Disclosure Requirements 2015, existence of postal ballot system of voting and no restriction on right of shareholders to vote ranked highest out of shareholders' rights category. The corporate social responsibility has been considered to be a relevant aspect which got the highest mean weight from respondents. The existence of retirement pay for outside directors, presence of nomination committee, relevance of non-audit fees to auditors, participation of institutional shareholders in governance process got the lowest ranks. However, there remain a number of other factors which could have been considered as is such the limitation of the study.

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