ROLE OF DIRECTORS AND SHAREHOLDERS IN THE CORPORATE GOVERNANCE

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This head gives many questions. First what is corporate governance, secondly what are these bodies, directors, and shareholders, in the company? It is important to understand these terms before studying the role and responsibilities of them. Corporate governance is the process, a system of framing rules and regulations on the basis of which the company can be benefitted to shareholders along with everyone in the community for a long time. According to The Companies Act, 2013 Investment advisory services, and proxy firms provide compendious information to the shareholders about newly introduced processes and regulations, which aim to improve the corporate governance in India. Advisory firms offer corporate advisory services to manage the activities of the company and keep a check on the continuous growth of it. The top management that consists of the board of directors is responsible for governance. Corporate governance was guided by Clause 49 of the Listing Agreement before the introduction of the Companies Act of 2013. As per the new provision, SEBI has also approved certain amendments to the Listing Agreement so as to improve the transparency in transactions of listed companies and giving a bigger say to minority stakeholders in influencing the decisions of management.[3]

In every company, one is the Board of Directors who governs and manages the company's business. Directors are defined in section 2(34) of The Companies Act, 2013. Another group, shareholders, is given certain rights as they are owners of corporations. These rights are protected by law and considered as one of the objectives of corporate governance. These are the important authorities who have certain role and responsibilities in the functioning of the companies. Board of directors derives their power under section 179 of The Companies Act, 2013. Powers mentioned in this section are: a) to make calls on shareholders in respect of money unpaid on their shares; (b) to authorize buy-back of securities under section 68; (c) to issue securities, including debentures, whether in or outside India; (d) to borrow monies; (e) to invest the funds of the company; (f) to grant loans or give guarantee or provide security in respect of loans; (g) to approve financial statement and the Board's report; (h) to diversify the business of the company; (i) to approve amalgamation, merger or reconstruction; (j) to take over a company or acquire a controlling or substantial stake in another company; (k) any other matter which may be prescribed which can be performed by the resolution passed in the meeting.[4] Besides these powers, some other powers are also conferred. The board of directors is set up to establish a vision, determine the mission which has to be accomplished in the future and creates the value for the companies on which it has to run. Individual directors have only those powers which have

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[3] http://www.loansforbetterlife.com/corporate-governance-in-india/
[4] Section 179 of The Companies Act, 2013

been given to them by the board and these powers need not be in written form but they are delegated with the regular practices. The chairman of the board is often seen as the spokesperson for the board and the company. A new position has been evolved six years back named lead director. He coordinates the activities of all of the Board's independent directors. The Lead Director is the principal confidant to the CEO and ensures that the Board has an open, trustful relationship with the Company's senior management team. He ensures the directors meeting and takes care of the attendance of the board of directors. The board of directors is directly accountable to the shareholders and keeps a view on the challenges and issues related to the corporate governance.

Shareholders are either individual or institution who owns shares in the company. Because of being the owner of the company, they possess profit out from it in the form of increased stock valuation. They contribute capital towards setting and running of the company. After setting of the company, they have a certain character to play inside the company. Shareholders have rights to vote on company decisions. They can vote on a variety of corporate matters including voting in officers, acquisitions and mergers or liquidations of company assets also have right to vote in person or by proxy and mainly can vote for the amendment done in the MOA and AOA. Voting on these matters generally takes place when corporations have their annual meetings. Shareholders also have rights to inspect their corporation's financial book to get the knowledge of performance. This is the discretion of the shareholders to either buy or sell off the shares possess by them. Shareholders have the right to receive the dividends in case of distribution of it. Dividend amounts are determined by the corporate officers and not by the ownership interests of the shareholders. Shareholders who have been wronged by their corporations also have the right to sue. One of the objectives of corporate governance is to be fair to all shareholders. However, some corporations are issuing dual stocks that challenge the fairness and equality of all shareholders the corporate governance is trying to protect. It's possible that the shareholders who own common stocks have less voting power than those who own the other class. The concept of having shareholders for the companies is to make the companies accountable for their actions.

These bodies share some relation among themselves. Directors have certain responsibilities among themselves and shareholders to have. The board of directors is directly accountable to the shareholders and keeps a view on the challenges and issues related to the corporate governance. In cases where the board is not acceding to the requests of the shareholders, the shareholders can act directly by asking the management to convene an extraordinary general meeting so that they can voice their opinions. One of the main purposes of the directors is to work for the interest of the shareholders. Conclusively, they both together work for the benefit of the company and the community and collectively both have a duty to work according to the guidelines which are prescribed to run the company in accordance with the term CORPORATE GOVERNANCE.