Vol 6 Issue 7 August 2016

ISSN No : 2230-7850

International Multidisciplinary Research Journal

Indian Streams Research Journal

Executive Editor
Ashok Yakkaldevi

Editor-in-Chief
H.N.Jagtap

Welcome to ISRJ

RNI MAHMUL/2011/38595 **ISSN No.2230-7850**

Indian Streams Research Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial board.Readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

Regional Editor

Dr. T. Manichander

Mr. Dikonda Govardhan Krushanahari
Professor and Researcher ,
Rayat shikshan sanstha's, Rajarshi Chhatrapati Shahu College, Kolhapur.

International Advisory Board

Kamani Perera
Regional Center For Strategic Studies, Sri Lanka

Janaki Sinnasamy
Librarian, University of Malaya

Romona Mihaila
Spiru Haret University, Romania

Delia Serbescu
Spiru Haret University, Bucharest, Romania

Anurag Misra
DBS College, Kanpur

Titus PopPhD, Partium Christian University, Oradea,Romania

Mohammad Hailat
Dept. of Mathematical Sciences, University of South Carolina Aiken

Abdullah Sabbagh
Engineering Studies, Sydney

Ecaterina Patrascu
Spiru Haret University, Bucharest

Loredana Bosca
Spiru Haret University, Romania

Fabricio Moraes de Almeida
Federal University of Rondonia, Brazil

George - Calin SERITAN
Faculty of Philosophy and Socio-Political Sciences Al. I. Cuza University, Iasi

Hasan Baktir
English Language and Literature Department, Kayseri

Ghayoor Abbas Chotana
Dept of Chemistry, Lahore University of Management Sciences[PK]

Anna Maria Constantinovici
AL. I. Cuza University, Romania

Ilie Pintea,
Spiru Haret University, Romania

Xiaohua Yang
PhD, USA

......More

Editorial Board

Pratap Vyamktrao Naikwade
ASP College Devrukh,Ratnagiri,MS India

R. R. Patil
Head Geology Department Solapur University,Solapur

Rama Bhosale
Prin. and Jt. Director Higher Education, Panvel

Salve R. N.
Department of Sociology, Shivaji University,Kolhapur

Govind P. Shinde
Bharati Vidyapeeth School of Distance Education Center, Navi Mumbai

Chakane Sanjay Dnyaneshwar
Arts, Science & Commerce College, Indapur, Pune

Awadhesh Kumar Shirotriya
Secretary,Play India Play,Meerut(U.P.)

Iresh Swami
Ex - VC. Solapur University, Solapur

N.S. Dhaygude
Ex. Prin. Dayanand College, Solapur

Narendra Kadu
Jt. Director Higher Education, Pune

K. M. Bhandarkar
Praful Patel College of Education, Gondia

Sonal Singh
Vikram University, Ujjain

G. P. Patankar
S. D. M. Degree College, Honavar, Karnataka

Maj. S. Bakhtiar Choudhary
Director,Hyderabad AP India.

S.Parvathi Devi
Ph.D.-University of Allahabad

Sonal Singh,
Vikram University, Ujjain

Rajendra Shendge
Director, B.C.U.D. Solapur University, Solapur

R. R. Yalikar
Director Managment Institute, Solapur

Umesh Rajderkar
Head Humanities & Social Science YCMOU,Nashik

S. R. Pandya
Head Education Dept. Mumbai University, Mumbai

Alka Darshan Shrivastava
Shaskiya Snatkottar Mahavidyalaya, Dhar

Rahul Shriram Sudke
Devi Ahilya Vishwavidyalaya, Indore

S.KANNAN
Annamalai University,TN

Satish Kumar Kalhotra
Maulana Azad National Urdu University

Address:-Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India
Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.isrj.org

ISSN: 2230-7850 Impact Factor : 4.1625(UIF) Volume - 6 | Issue - 7 | August - 2016

ISRJ Indian Streams Research Journal

SHOULD INDIA FOLLOW SUIT WITH US IN IMPLEMENTING STRINGENT RULES IN CORPORATE GOVERNANCE ACT LIKE SARBANES–OXLEY AND GLASS–STEAGALL

Dr. Aditi R Khandelwal
Assistant Professor , The IIS University, Jaipur.

ABSTRACT

Corporate Governance refers to the best practices to be followed by the Companies to make sure that the stakeholders are not cheated and everything that happens in the company happens in the best interest of its stakeholders. Thus corporate governance is the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and separating personal and corporate funds in the management of a company.

KEYWORDS : *Sarbanes–Oxley and Glass–Steagall , ethical business conduct and separating personal .*

AIMS OF CORPORATE GOVERNANCE

1. To mitigate and prevent any conflict of interest between management of the company and its stakeholders which include the processes, customs, policies, laws, and institutions which have impact on the way a company is controlled.
2. To accomplish nature and extent of accountability of people in the business.
3. To establish mechanisms that try to decrease the principal–agent problem.
4. By doing all the above it intends to increase the confidence of shareholders and investors capital-market.

Conflict of interest among stakeholders is a common problem which is encountered by every country whether U.K, U.S, Australia or Bangladesh. So a lot of countries have formed a lot of laws to fight this problem. Some of these laws which have been effective are Sarbanes Oxley Act which was formed in U.K and Glass Steagall Act formed in U.S. These are the two laws which I am going to discuss in this paper.

Sarbanes Oxley Act

The Sarbanes–Oxley Act was formed in the year 2002 in United Kingdom. It is baptized after sponsors U.S. Senator Paul Sarbanes (D-MD) and U.S. Representative Michael G. Oxley (R-OH). Though it is commonly referred to as Sarbanes–Oxley, its official nomenclature is 'Public Company Accounting Reform and Investor Protection Act' as used in the Senate and 'Corporate and Auditing Accountability and Responsibility Act' used in the House. When in United States, it is referred to as Sarbanes–

Oxley or Sarbox or SOX and represents a federal law which sets new or enhanced standards for all U.S. public company boards, management and public accounting firms. The act contains 11 titles, or sections, ranging from additional corporate board responsibilities to criminal penalties, and requires the Securities and Exchange Commission (SEC) to implement rulings on requirements to comply with the law. The act also covers issues such as auditor independence, corporate governance, internal control assessment, and enhanced financial disclosure. It was enacted during the president ship of George W Bush.

KEY PROVISIONS UNDER THIS LAW

1. Section 302: Disclosure controls – This section of the Act mandates a set of internal procedures designed to ensure accurate financial disclosure. Under this all the signing officers of different documents pertaining the financials of the company must certify that they are "responsible for establishing and maintaining internal controls" and "have designed such internal controls to ensure that material information relating to the company and its consolidated subsidiaries is made known to such officers by others within those entities, particularly during the period in which the periodic reports are being prepared." By this it is made sure that nobody puts his or her signature without authenticating the validity of documents.

2. Section 401: Disclosures in periodic reports (Off-balance sheet items) - First Enron and then Lehman Brother case made it necessary to include provisions in the act which could also make management of a company accountable for off balance sheet items which bear a significant impact on the stability of a company. These include usages of special purpose vehicles and other such instruments which have been used by the company to raise money from the public.

3. Section 404: Assessment of internal control – This section requires management and the external auditor to report on the adequacy of the company's internal control on financial reporting. This is the most costly aspect of the legislation for companies to implement, as documenting and testing important financial manual and automated controls requires enormous effort. It mandates management to produce an "internal control report" as part of each annual Exchange Act report. The report must also "contain an assessment, as of the end of the most recent fiscal year of the Company, of the effectiveness of the internal control structure and procedures of the issuer for financial reporting."

Glass Steagall Act

Another biggest problem that the governments had in the field of finance and concerning frauds in public companies was regarding Insider trading and speculation by the high officials of the companies which led to big financial losses to general public. To administer this Glass–Steagall Act was enacted in 1933. It is named after its legislative sponsors, Senator Carter Glass and Representative Henry B. Steagall. The origin country of this act is United States. It is basically banking regulation which aspires to regulate interest rates in savings accounts and govern other provisions owning other financial companies like removed the separation that previously existed between investment banking which issued securities and commercial banks which accepted deposits. The deregulation also removed conflict of interest prohibitions between investment bankers serving as officers of commercial banks.

APPLICATION OF ABOVE LAWS IN INDIA

World knows about the biggest financial frauds which happened at Enron, Tyco International, Adelphia, Peregrine Systems and WorldCom as the biggest punctures in the corporate governance by

the companies. A new name was added in the list when in 2009 the biggest fraud in the Indian financial system was revealed which happened in one of the biggest public companies in India which is Satyam Computers. This showed that on one hand where India is becoming big in terms of market capitalization it is also becoming big when we see the frauds that India has become prone to because of new innovations in the financial system in India. Satyam Computers won Golden Peacock Award the very laurel used for trumpeting its corporate governance norms and its chairman B Ramalingam Raju was awarded Entrepreneur of the Year Award in 2007 by Ernst & Young. It was revealed that the Auditors of the company had not enquired well before signing the reports of the company and nobody but Raju was aware about the fraud and if he had not revealed the fraud nobody would have come to know about what was going on in the company. Once out in open the fraud raised a lot of questions regarding the authenticity and work performed by the auditors in the companies. Even after the shortcomings were revealed the auditors just had to pay some penalty and they were free again.

This has raised a lot of questions that India should also form some stringent laws in this filed so that criminal liabilities can be set against the auditors and other officials of the company who get involved in such deeds.

REFERENCES

1. http://www.businessdictionary.com/definition/corporate-governance.html
2. http://www.investopedia.com/terms/c/corporategovernance.asp
3. http://www.investopedia.com/articles/03/071603.asp
4. http://www.soxlaw.com/
5. http://www.forbes.com/sites/hbsworkingknowledge/2014/03/10/the-costs-and-benefits-of-sarbanes-oxley/

Publish Research Article
International Level Multidisciplinary Research Journal
For All Subjects

Dear Sir/Mam,

We invite unpublished Research Paper,Summary of Research Project,Theses,Books and Book Review for publication,you will be pleased to know that our journals are

Associated and Indexed,India

- International Scientific Journal Consortium
- OPEN J-GATE

Associated and Indexed,USA

- Google Scholar
- EBSCO
- DOAJ
- Index Copernicus
- Publication Index
- Academic Journal Database
- Contemporary Research Index
- Academic Paper Databse
- Digital Journals Database
- Current Index to Scholarly Journals
- Elite Scientific Journal Archive
- Directory Of Academic Resources
- Scholar Journal Index
- Recent Science Index
- Scientific Resources Database
- Directory Of Research Journal Indexing

Indian Streams Research Journal
258/34 Raviwar Peth Solapur-413005,Maharashtra
Contact-9595359435
E-Mail-ayisrj@yahoo.in/ayisrj2011@gmail.com
Website : www.isrj.org