ABSTRACT

Corporate Governance has gained importance with series of corporate failures, following which the markets, investors and the society at large have become apprehensive about the old orthodox system of management through directors who are nothing but ‘yes men’ of the company. Credibility of the persons taking care of public money is under scanner. In this backdrop, introduction of Independent Director is considered to be a positive measure to enhance Corporate Governance practice and to improve transparency by taking the control over the managers. The object of this research is twofold- a) to examine the ‘independence’ of independent directors and how to improve it and b) to evaluate the role of Independent Director in Corporate Governance. The researcher has tried to trace the origin of Independent Director in India and also the status of Corporate Governance in contemporary period. In United States and United Kingdom, the Independent Directors were incorporated in order to operate as a monitoring mechanism over managers, while in India the researcher finds Independent Director in an advisory role. It transpires from research that the Independent Directors in India are not appointed, in true sense, to enhance internal control but they are more in compliance with regulatory prescription. Analyzing 400 Corporate Governance Reports of listed Indian companies, it has been established that disclosures relating to Independent Directors are inadequate as per regulatory and international prescriptions in India; however, there is a difference amongst the companies, with those in above average market capitalization category having Corporate Governance practices better than those with below average market capitalization. The research suggests reforms to embolden Independent Directors that may enable them to play a more meaningful and constructive role in Corporate Governance.

Key Words: Independent Director, Corporate Governance, Market Capitalization, Transparency.