

Current affairs noticeboard

Enforcement a problem

In discussing the effectiveness of Corporate Governance in India, the Naresh Chandra Committee stated

from April 2001, listed companies in India need to follow very stringent guidelines on corporate governance, which rank among some of the best in the world. Sadly, there is a wide gap between prescription and practice. ... Thus, while corporate governance reforms in India far outstrip that of many other countries, the performance ... lags very much behind (para. 2 of Executive Summary).

The above statement implies that enforcement of corporate governance regulations is a problem in India.

Furthermore, comments made by staff of the World Bank and a World Bank and IMF report supported the conclusions drawn by the Naresh Chandra committee. Michael Carter, country director for the World Bank, stated

a recent assessment of India by his institution revealed that a series of legal and regulatory reforms had been undertaken in the country, but enforcement and legislation remained a challenge (Yahoo! India News, 18 October 2004, p.2).

In relation to auditing the World Bank and IMF report states that

policymakers should consider options to establish a monitoring and enforcement arrangement in line with recent international developments and the recommendations of the Naresh Chandra Committee (World Bank and IMF, 2004, p.10).

The comment relating to legislation may have been stated for the following reasons. India commenced its investigatory phase to determine the necessary reforms in 2002 and as yet to date no final legislation has been passed. Also, it seems the final legislation passed will be a diluted version to that recommended by the Naresh Chandra Committee.

References

Ministry of Company Accounts, 2002, *Report of the Committee on Corporate Audit and Governance (Naresh Chandra Committee): Executive Summary*, December, dca.nic.in/naresh_second/index.htm

World Bank and IMF, 2004, *Report on the Observance of Standards and Codes (ROSC)*, April, imf.org/external/np/rocs_cg.ind.pdf

_____, 2004, '*Corporate governance needs regulation*', Yahoo! India News, 18 October, in.news.yahoo.com