

A Role of corporate governance in manufacturing industry with the special reference to Bajaj- auto

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Article info

Received 14th March 2024 Received

in revised form 16 April 2024

Accepted 18 June 2024

Keywords

Board size, Board composition,

Audit committee size,

Organizational performance,

market book value.

<https://sajet.in/index.php/journal/article/view/271>

Abstract

Corporate governance in the Indian manufacturing industry plays a crucial role in ensuring transparency, accountability, and ethical business practices. This abstract explores the significance of corporate governance within the context of Bajaj Auto, a leading automobile manufacturer in India. It highlights how Bajaj Auto has implemented robust governance frameworks to maintain investor confidence, comply with regulatory requirements, and foster sustainable growth. By focusing on board composition, stakeholder engagement, and risk management strategies, the study underscores Bajaj Auto's commitment to high governance standards, contributing to its reputation and operational efficiency in a competitive market. The findings demonstrate that effective corporate governance not only enhances corporate performance but also mitigates risks and promotes long-term stakeholder value in the Indian manufacturing sector. Corporate governance encompasses the systems, principles, and processes by which companies are directed and controlled. In the context of the Indian manufacturing industry, effective corporate governance is crucial for ensuring transparency, accountability, and sustainable growth. This study focuses on the role of corporate governance in the Indian manufacturing sector, with a special emphasis on Bajaj Auto, a leading player in the industry. In the manufacturing sector, robust corporate governance practices are essential for maintaining investor confidence, managing risks, and fostering innovation. Good governance helps companies navigate complex regulatory environments, adhere to ethical standards, and improve operational efficiencies.

INTRODUCTION

Corporate governance has become most popular in developing and developed countries. Corporate governance comprises in several elements like labor, capital and organization along with

their regulatory mechanisms. It includes the interest of the shareholders to increase in worldwide. Corporate governance has become more prominent issues in worldwide. Corporate governance is a system in which it states and processes to control the functions of organization by positioning their own rules and procedures for managing the decisions. Corporate governance specifies the rights and responsibilities among the stakeholders of the company by distributing. It provides the structure for implementing, defining and monitoring the goals of the company. Hence, corporate governance issue widely debated in market economic needs which has to be discussed in a different vein manner. Indian corporate sectors are totally different from USA and UK which leads to different set of corporate governance issues.

In India as per the norms of corporate governance it has evolved over the years of post-economic liberalization, with SEBI suggests the code of conduct for good corporate governance organization. The Indian manufacturing sector, being a cornerstone of the nation's economy, faces various challenges and opportunities influenced by global trends, technologies advancements, and regulatory changes. Against this backdrop, exploring the determinants of corporate financial performance in the Indian manufacturing industry through the lens of board characteristics gives valuable insights for both academia and industry practitioners. The empirical study try to find and to investigate the relationship between board characteristics and corporate financial performance in the Indian manufacturing sector. Specifically, it aims to analyze factors such as board structure, board diversity, board size and board expertise impact financial outcomes such as profitability, efficiency and shareholders creations.

Corporate governance has come out as a critical area of focus for organization worldwide, aiming to ensure transparency, accountability and effective decision-making processes. Within the framework to corporate governance, the characteristics of board of director plays a vital role in shaping the financial performance of companies. The significance of the study lies in the potential to contribute to survive the body of the knowledge on corporate governance and financial performance, particularly in the Indian context. Examine the relationship between the board characteristics and financial performance metrics, it aims to provide actionable insights for companies to enhance the governance practices and ultimately improve their financial outcomes.

Governance means the guidelines, limitations, rules, and decisions made to guide a business' actions. In governance, the management plays a key role; however, proxy advisors and shareholders are significant in terms of influencing governance. Effective corporate governance establishes guidelines and regulations provides guidance, for leadership and ensures the alignment of interests among shareholders, board members, executives and employees. This fosters trust with investors, the community and governmental authorities. Corporate governance offers investors and stakeholders insight into a company vision and ethical standards while supporting its sustainability, growth opportunities and returns. It also aids in securing funding. Can result in increased stock value. By minimizing risks, inefficiencies, vulnerabilities and unethical practices it serves as a road map, for building resilience and achieving long term prosperity.

Corporate financial performance refers to the evaluation of a company's financial health and profitability over a certain period, typically assessed through various financial metrics and ratios. These metrics involvesbut not limited to revenue, net income, earnings per share (EPS), return on investment (ROI), and debt-to-equity ratio. Analyzing corporate financial performance provides stakeholders, including investors, creditors, and management, with insights into the company's ability to generate profits, manage expenses, utilize assets efficiently, and meet its financial obligations.

Motorcycles, scooters, and auto rickshaws are produced by Bajaj-Auto Limited, an Indian multinational automotive manufacturer with its headquarters located in Pune. It was founded in Rajasthan in the 1940s by Jamnalal Bajaj and is a branch of the Bajaj Group.

In addition to being the largest producer of three-wheelers worldwide, Bajaj Auto is ranked as the third-largest motorcycle manufacturer in the world and the second-largest in India. With a market valuation of ₹1 trillion (US\$13 billion) as of December 2020, the company is the most valuable two-wheeler company globally.

REVIEW OF LITERATURE

1. PALANIAPPAN G. (2017)

Regarding the influence of board characteristics of characteristics on the financial result of the manufacturing firms in India. The data uses from 275 listed firms on the NSE from 2011 to 2015. It is the inverse association between the board characteristics and firms' performance indicators, with board CEO duality and independence showing the negative relationship with financial metrics.

2. AKSHITA ARORA CHANDAN SHARMA (2016)

It aims to investigate the corporate governance in the firm using a large representative's sample from 20 industries in the Indian manufacturing sector 2001 to 2010. The analysis employs various estimation techniques, including system generalized methods. Corporate governance indicators like return on equity and profitability are not important related to firm performance.

3. KEERTI JAIN NEETI MATHUR (2022)

The paper conducts a quantitative analysis to compare the compliance level of mandatory and voluntary disclosure to the corporate governance across of various industries with in India. It fills a gap in the literature by giving a cross-industry perspective, which relatively scarce in existing studies. Corporate governance items across industries, there's a notable difference in reporting voluntary corporate governance items.

4. PALANISAMY SARAVANA (2012)

The corporate governance to firm value with in Indian manufacturing firms. They utilized purposive sampling from the Bombay stock exchange, excluding banking, Insurance and financial firms due to differing governance structures. After excluding the foreign firms and those acquired during the study period, they analyzed data from 1732 firms spanning 2001 to 2010. Multiple regression analysis revealed critical impacts on corporate governance variables on firm value in manufacturing firms

5. AKSHITA ARORA SHERNAZ BODHANWALA (2017)

There is a significance positive connection between the corporate governance index and firm performance metrics in Indian context. This finding underscores the importance of factors such as board structure, ownership structure, market for corporate control, and market competition in shaping corporate governance practices. Additionally, the study implies the maintaining high governance standards can lead to positive perceptions among investors, potentially reducing funding costs for business firm.

OBJECTIVES

1. To study on Understanding the relationship
2. To study on Assessing the governance Effectiveness

RESEARCH METHODOLOGY

RESEARCH GAP

There's a research gap in understanding how board characteristics of corporate governance influence the financial result of Indian manufacturing firms. Exploring this could provide awareness for stakeholders, policymakers, and researchers, aiding in improving corporate governance practices and financial outcomes in this sector.

NEED OF STUDY

There's a critical need for research on the determinants of corporate financial performance in relation to board characteristics of corporate governance in the Indian manufacturing industry. Such a study would shed light on how factors like board composition, independence, diversity, and expertise impact the financial outcomes of manufacturing firms in India.

Understanding these relationships is crucial for stakeholders, policymakers, and researchers in improving corporate governance practices and financial performance within the Indian manufacturing sector. Additionally, it understands how to attract investments, enhance competitiveness, and foster sustainable growth in this important segment of the Indian economy.

PURPOSE OF STUDY

The study aims to allow valuable insights into the relationship between corporate governance and financial performance, with a specific focus on the Indian manufacturing industry, thereby contributing to better decision-making, sustainable growth, and economic prosperity.

PROBLEM STATEMENT

Corporate governance in the Indian manufacturing industry, focusing on Bajaj Auto, To assess and address gaps in corporate governance practices within Bajaj Auto, with the aim of enhancing transparency, accountability, and shareholder value while mitigating risks and ensuring compliance with regulatory frameworks.

HYPOTHESES:

H₀: There is no significant relationship between board and corporate financial performance metrics in Indian manufacturing companies.

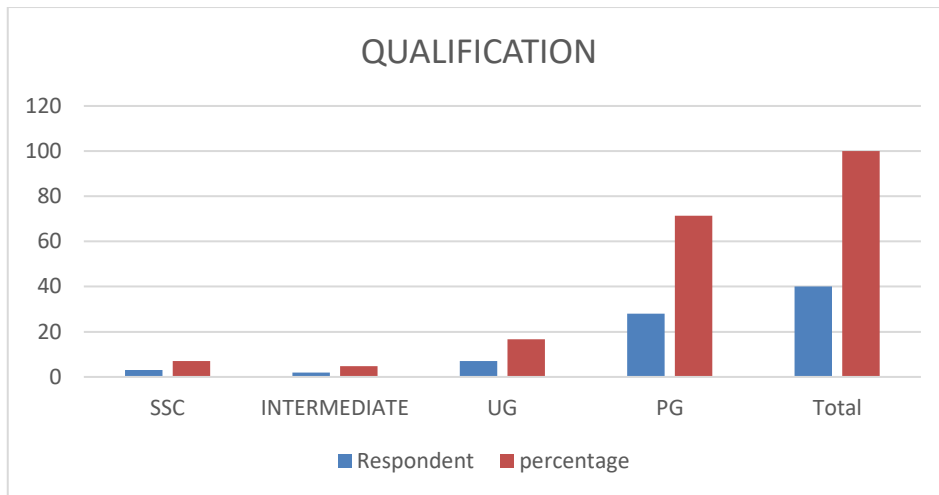
H₁: There is a significant relationship between board and corporate financial performance metrics in Indian manufacturing companies.

H₀: There is no significant relationship between board transparency and corporate financial performance metrics.

H₁: There is a significant relationship between board transparency and corporate financial performance metrics.

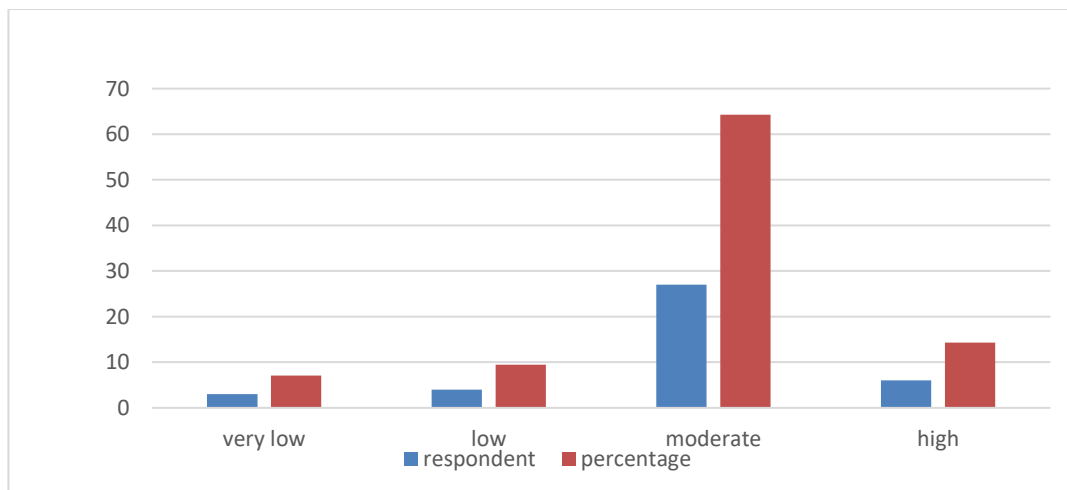
DataAnalysis:

QUALIFICATION	RESPONDENT	PERCENTAGE
SSC	3	7.1
INTERMEDIATE	2	4.2
UG	7	16.7
PG	28	71.4
TOTAL	40	100



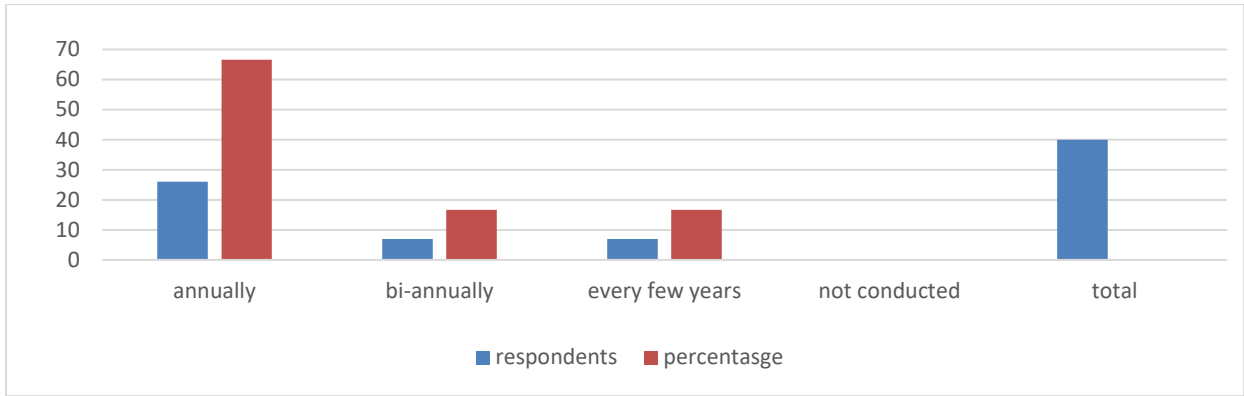
INTERPRETATION: The majority of pollee are from PG students.

To what extent does your board have diversity age, gender, ethnicity and professional background	Very low	Low	Moderate	High	Very high	Total
Respondent	3	4	27	6	0	40
Percentage	7.1	9.5	64.3	14.3	0	100



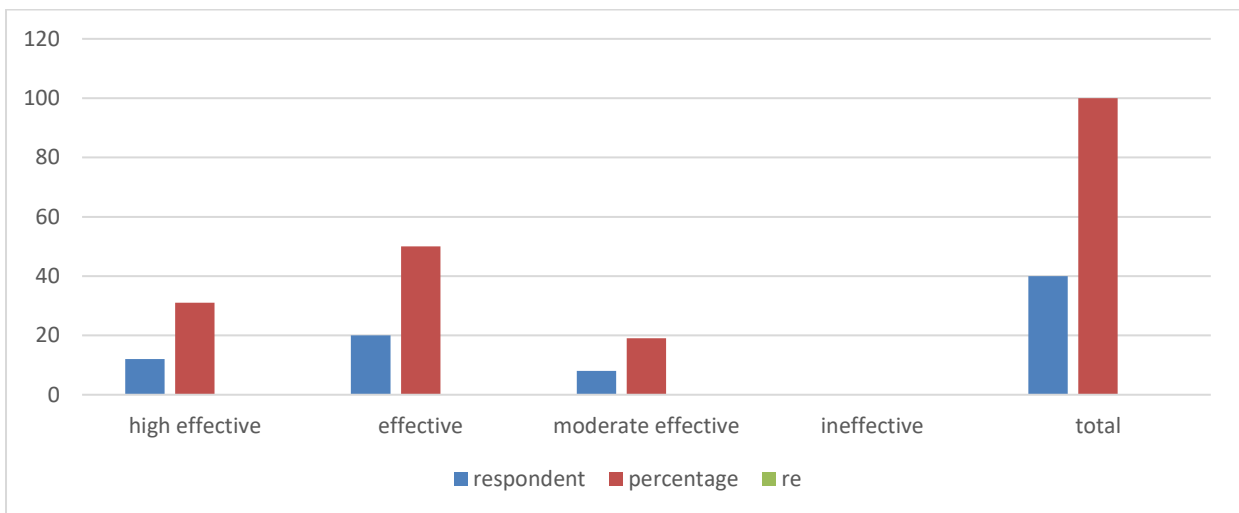
INTERPRETATION: 64.3% of the respondents are satisfied with moderate where 7.1% are not satisfied.

How frequently does your board conduct performance evaluation of individual directors and board as a whole	Annually	Bi-annually	Every few years	Not conducted	Total
Respondents	26	7	7	0	40
Percentage	66.6	16.7	16.7	0	100



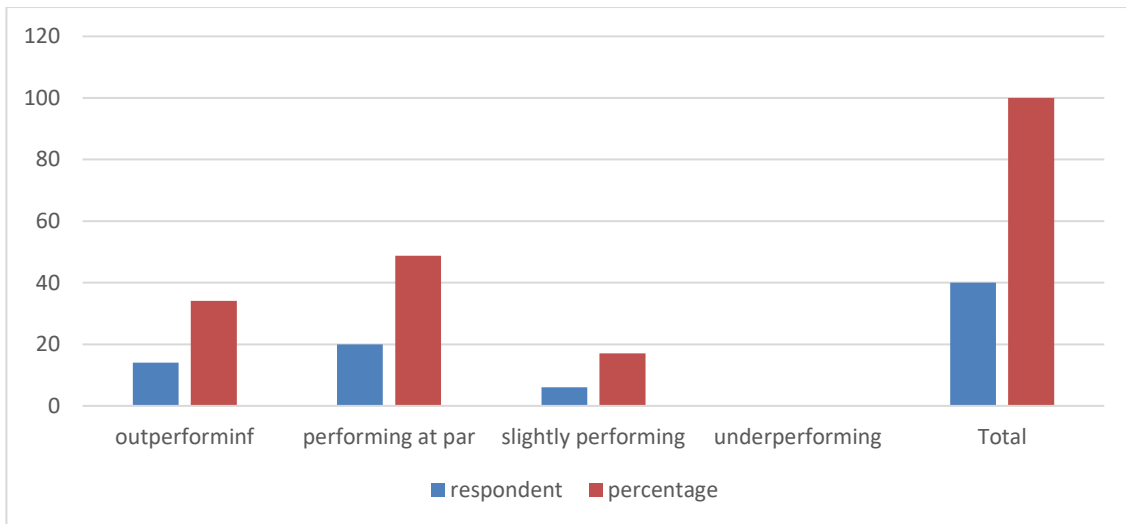
INTERPRETATION: 66.6% of them are responded that board conduct performance Evaluation to individual directors.

How effective do you believe your board is in terms of risk management and oversight	High effective	Effective	Moderate effective	In effective	Total
Respondent	12	20	8	0	40
Percentage	31	50	19	0	100



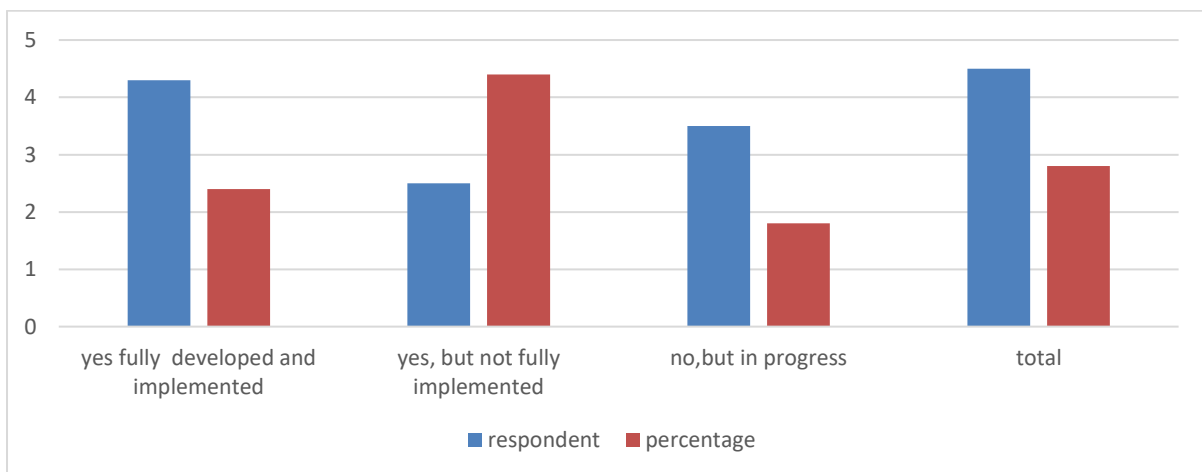
INTERPRETATION:50% of the respondents effectively believe our board in the Terms of risk management.

How do you perceive your company's financial performance relative to industry peers.	Outperforming	Performing at par	Slightly under performing	Underperforming	Total
Respondent	14	20	6	0	40
Percentage	34.1	48.8	17.1	0	100



INTERPRETATION: 48.8% of the respondents perceive our company financial performance should do through performing at par.

Does your company have a formal code of ethics or conduct for board members	Yes, fully developed and implemented	Yes, but not fully implemented	No, but in progress	Total
Respondent	30	10	0	40
Percentage	71.4	23.8	0	100



INTERPRETATION:71.4% of the respondent to yes, it is fully developed and Implemented by board of members.

STATISTICAL TOOLS FOR ANALYSIS

H₀: There is no significant relationship between Board and Corporate financial performance metrics in Indian manufacturing industry.

H₁:There is a significant relationship between Board and Corporate financial performance metrics in Indian manufacturing industry.

RESULT			
	High Impact	Low Impact	Marginal Row Totals
Male	6	10	16
Female	9	15	24
Marginal Column Totals	15	25	40 (Grand Total)

The chi-square statistic is 0. The *p*-value is 1. *Not significant at p < .05.*

RESULT			
	High Impact	Low Impact	Marginal Row Totals
Male	6 (6) [0]	10 (10) [0]	16
Female	9 (9) [0]	15 (15) [0]	24
Marginal Column Totals	15	25	40 (Grand Total)

The chi-square statistic with Yates correction is 0.1111. The *p*-value is .738883. *Not significant at p < .05.*

Findings:

Effect on Financial Performance: Studies have indicated a favorable relationship between manufacturing companies' financial performance and sound corporate governance procedures. Over time, companies with robust governance systems typically exhibit superior financial performance.

Risk management: Manufacturing companies that practice effective corporate governance are better able to recognize, evaluate, and control a range of risks, such as reputational, financial, and operational risks. This is essential for preserving resilience in a sector vulnerable to a range of internal and external difficulties.

Stakeholder Engagement: In order to establish credibility, handle conflicts of interest, and guarantee compliance with wider social norms, manufacturing firms must actively engage with their stakeholders, which include staff members, clients, suppliers, and communities.

Suggestions:

Board variety: To add a range of viewpoints to the decision-making processes, promote variety in the age, gender, and professional backgrounds of the board members.

Pay Policies: Create equitable and open compensation plans that are in line with business performance and the long-term growth of shareholder value.

Risk management: Put strong risk management procedures in place to recognize and address possible threats to the company's long-term viability.

Continuous Improvement: Evaluate and improve corporate governance procedures on a regular basis to adjust to evolving stakeholder expectations and business environments.

Transparency: Encourage clear reporting procedures, such as accurate financial reporting and providing stakeholders with pertinent information.

CONCLUSION

The corporate governance of Bajaj Auto reflects a commitment to transparency, accountability, and ethical business practices. Through effective board oversight, adherence to regulatory requirements, and robust internal controls, Bajaj Auto ensures alignment with stakeholders' interests and sustains its reputation as a responsible corporate citizen. Bajaj Auto upholds strong corporate governance standards, fostering ethical conduct to align with stakeholder interests and maintain its reputation as a responsible corporate entity.

Acknowledgement

Nil

Funding

No funding was received to carry out this study.

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