Reviewing Issues And Challenges Faced By Corporate Governance At The Time Of PANDEMIC

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ABSTRACT

The widespread outbreak of coronavirus (COVID-19) poses a significant risk to human life. Companies throughout the world are facing extinction because of the epidemic, which has caught the attention of regulators and corporate governance experts. In this research, we examine the role that good corporate governance practices play in ensuring that businesses are able to weather the COVID-19 storm. COVID 19 The pandemic has had not only human but also severe economic effects throughout the world. Due to complications with things like meetings, dividends, liquidity, disclosure, capital allocation, risk management, and internal control, it poses a threat to the profitability of a company's day-to-day operations and poses a threat to shareholders as well. Companies should be allowed to have a hybrid AGM. Businesses have been prompted to speed up the process of establishing a solid technological foundation as a result. In times of economic turmoil, management should evaluate share repurchase plans. Executive compensation is a key area for the Remuneration Committee to focus on.

Keywords: Crisis, Issues, Management, Pandemic, Meetings**.**

I. INTRODUCTION

Businesses are the primary forces behind any economy and have an indirect or direct effect on all economic participants. Businesses must be held legally, socially, and economically accountable for their actions, and they must treat their employees, customers, and the community with respect. Corporate governance is protecting against this. Organizational objectives, risk management, and regulatory compliance can all benefit from good corporate governance. Because of its usefulness in facilitating formal communication between the firm's stakeholders, it serves as an indicator of the management's efficacy and efficiency. The previous 20 years of this century, however, have been marked by numerous company frauds and failures, and COVID 19 has only exacerbated the problem. As a result, it's crucial that businesses have good, open governance.

Lack of effectiveness in risk management and the limitations of the risk management framework were highlighted, as was the fact that corporate governance is heavily weighted in favour of shareholder interests at the expense of those of other stakeholders (such as employees, taxpayers in cases where governments bail out companies, liquidity challenges, etc.). The inadequacies in corporate governance have been revealed by the repeated crises that have hit businesses in recent years. COVID 19 has had a profound effect on the living animals of the earth, prompting people to question the status quo and seek out alternatives that would lead to greater sustainability.

The recent global coronavirus (we'll refer to it as COVID-19 from now on) pandemic has posed a significant danger to human life and international trade. It began in Wuhan, China, in December 2019, and by the end of April 2020, it had reached over 200 nations. 1 In an effort to preserve lives, governments throughout the world are taking drastic steps to stem the tide of this pandemic (Wenzel, Stanske, & Lieberman, 2020). Economic activities have been severely impacted by the measures (such as lockdowns, ban of events, and shutdowns) taken to stem the spread of the COVID-19 pandemic, resulting in a new crisis that is expected to be more destructive than the previous crisis. There has been a dramatic drop in the value of stock markets everywhere. To lessen the blow of the economic crisis sparked by COVID-19, governments throughout the world have implemented a wide range of economic, fiscal, and monetary measures. However, the COVID-19 epidemic has caused severe problems for corporate governance standards and has jeopardised the very existence of businesses. Our research here focuses on the ways in which corporate governance measures have assisted businesses in the past in weathering the storm of COVID-19.

II. CORPORATE GOVERNANCE PRINCIPLES

Corporate governance establishes the rules for how a corporation is run and how its many stakeholders (including shareholders, investors, and the public) are treated. Good Corporate Governance, however, is the mechanism through which these ideas will spread over the globe and win widespread support. The development of the economy, the financial sector, and sustainable practises all has an impact on governance.

As such, the notion of Good Corporate Governance includes the need that enterprises with a particular turnover comply with the principles of Corporate Social Responsibility. In order to close the social and economic gap, businesses must operate in a way that does not degrade natural resources or the environment, while simultaneously maximizing the company's assets to their utmost potential. According to the principles of Good Corporate Governance, the following are the values that must be upheld in order for the business to function properly (figure 1):

Accountability

Being accountable implies you are either willing or obligated to take full responsibility for your actions. Many people have a bad impression of accountability because they incorrectly equate it with the old-fashioned "Blame Game." Accountability, in fact, addresses a wider range of concerns than simply identifying those at fault. It's important to have a positive tack on it, as it does serve to honour achievements as well.

Fairness

For example, all shareholders should be given the same value for their shareholdings if we are to be fair to them. The Companies Act of 2006 affords legal protection in the United Kingdom. However, some businesses choose having a shareholder agreement, which can provide more robust and efficient minority protection.

Everyone involved, from workers to residents to elected officials, deserves to be treated fairly, not just stockholders. A more equitable organization has a better chance of withstanding pressure from its constituents.

Transparency

Your level of assurance increases as your level of knowledge does. Stakeholders universally adhere to this as their guiding principle. It is to everyone's benefit to be open and honest in business. Companies who are transparent about their operations and finances get the public's trust, which is priceless.

Top-level management, where strategic choices and plans are made, is particularly in need of a culture of transparency and honesty. Maintaining open communication with investors and other stakeholders is key to earning their confidence and solidarity, which in turn leads to a better valuation and easier access to capital.

Figure 1: Principles of Good Corporate Governance

III. COVID 19 AND CORPORATE GOVERNANCE IN INDIA

The World Health Organization declared a pandemic due to the deadly COVID 19 virus (World Health Organization). However, there were other viruses like Ebola and Zika that had also caused SARS. The huge worldwide death toll caused by the Corona virus, however, gave it the upper hand. The effects it has had on the country's economy and enterprises will, without a question, be long-lasting. The "Economies of the World is the patient of Corona at some point in time," as the old adage goes.

A Good Corporate Governance framework was established by the Government of India and its regulatory bodies via amendments and laws at a period of great difficulty. We are all aware that the overarching goal of Corporate Governance is to ensure a positive dynamic between the firm and its shareholders by enforcing specific responsibilities on the board of directors. For businesses to maintain growth throughout the epidemic, it was crucial that these standards be strictly enforced.

IV. MAJOR ISSUES WITH CORPORATE GOVERNANCE IN INDIA

The fast spread of the corona virus has created a global health emergency. Human lives are being affected, but the economic repercussions are also very real. As viruses are global in their reach, the effects will multiply. With the situation evolving so swiftly, we are still in the first phases of figuring out the impact that COVID-19 will have. However, Figure 2 depicts several key difficulties and consequences related to corporate governance procedures and standards.

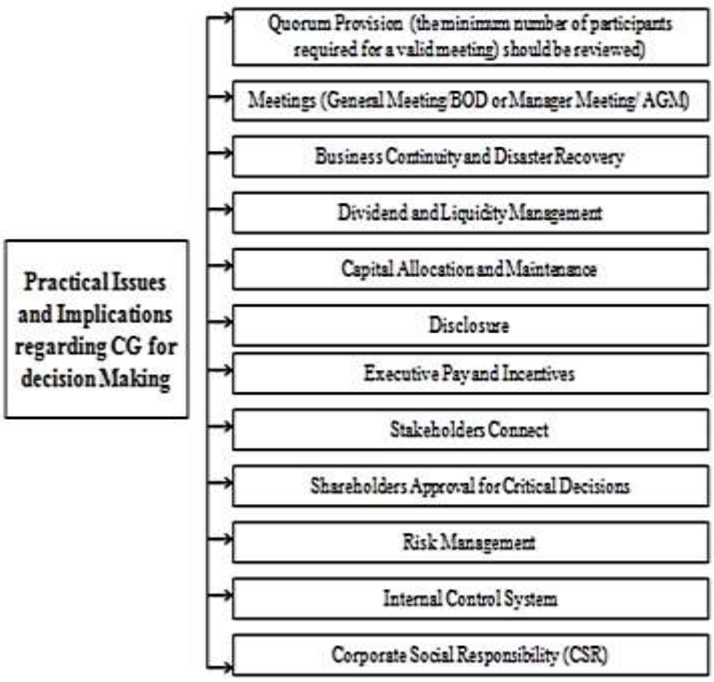

Figure 2: Practical Issues and Implications

Meetings

The Indian government's orders for a 21-day lockdown and social isolation to prevent large rallies are likely to affect the Quorum Provision alluded to in section 103 of the Companies Act, 2013. (i.e. the minimum number of participants required for a valid meeting). As a result, it would change the structure of meetings like the annual general meeting, the meeting of the board of directors, or the meeting of the managers because it will be impractical to hold most business meetings in person. Therefore, compared to Institutional investors, Small and Retail shareholders are likely to be the most inflated since they have more opportunities to interact with corporate management. Failure to convene shareholder meetings might cause delays in completing essential business transactions and could force annual general meetings to be postponed. That indicates it would have a significant effect on the company.

Business Continuity and Recovery

Most businesses are having trouble keeping operations running smoothly during the COVID19 epidemic. Most businesses would have issues on the part of their suppliers. This indicates that suppliers are unable to provide the firm the necessary components for making goods or rendering services. Thus, it would cause company financial and business distress. The corporation's largest problem is maintaining operations in the event of an emergency. Directors have a responsibility to manage their companies with reasonable care, attention, and competence, which requires them to anticipate potential threats and take measures to mitigate them.

Dividend and Liquidity Management

Now, amid COVID19 breakouts and lockdowns, questions arise about dividend, liquidity, and working capital needs. There are a few problems, such as dividends that were recently announced but have not yet been disbursed by the corporation or by corporate shareholders who are still debating the subject. When deciding whether or not to pay a dividend, directors should think both the company's current situation as well as its future prospects. Directors are urged to put a halt to dividend payments and notify investors if their firm loses the ability to do so. Current and anticipated operating and capital requirements, contingency planning, and the directors' statutory and common law obligations should all factor into the determination of whether or not a dividend is appropriate.

Capital Allocation and Maintenance

One of the central pillars of corporate governance is capital allocation, and where companies decide to focus their funding. Over recent years we have seen companies using increasing amounts of cash to re-purchase stock rather than investing in their businesses or bolstering up their balance sheets. At a time when balance sheets are under immense pressure and companies face significant unexpected costs, including how they dedicate resources to ensuring the welfare of their staff, management should review the appropriateness of their share buyback programmes both at this time and in the longer term. Although there is an expectation that certain sectors will receive government assistance, the most likely outcome for distressed companies will be the use of emergency capital raising through deeply discounted rights issues or placing.

Disclosure

Any kind of CG must have transparency as its cornerstone since it is a necessary element. Adequate disclosure without delay of information which should be made available to the public should continue to be a top priority with regard to regulated businesses and corporations listed on a regulated market which are subject to different rules and regulations aimed at protecting investor protection. The public should be kept up-to-date on any major developments linked to COVID-19, and careful evaluations should be conducted to identify what, if any, remedial action is needed to lessen the impact of these events.

Executive Pay and Incentives

Companies are urged to think about how the recent COVID 19 outbreaks would affect their operations.

- It's true that the effects of the virus are beyond the control of the company, but it doesn't mean shareholders will approve of the executives' bonuses and salary increases after a year in which they've lost money. Executives who demonstrate exceptional expertise in guiding their firm through the challenging period ahead may be eligible for awards as a result of modifications to compensation plans made by remuneration committees (a crucial part of CG).

- It is essential to pay close attention to the specifics of each organization, such as whether or not they consistently treat their employees and upper management fairly (like self-quarantine).

- Remuneration committees should be prepared to modify pay lower if necessary for firms witnessing an unusual rise in demand for their services, like Pharma, as a consequence of the virus and of related government initiatives.

Risk Management and Internal Control

Since risk management is an integral part of corporate governance, it is the responsibility of top executives to limit the institution's exposure to harm. Risk management systems and internal controls may be weakened or disregarded altogether if employees are forced to relocate if certain firm areas become inaccessible. The Board of Directors should keep a close eye on any such developments and, if required and feasible, implement new mitigation measures to ensure the smooth running of the control environment.

V. CONCLUSION

This study shows that the fast spread of the Corona virus was a tragic event for people. Commercially, it has had a major influence on economies across the world. As viruses are global in their reach, the effects will multiply. Disruptions to meetings (annual general meetings, board of directors meetings, and meetings called by the National Company Law Tribunal), administration, business continuity, dividend and liquidity management, disclosure, capital allocation and maintenance, risk management, and internal control are just some of the ways in which the COVID-19 pandemic could affect business operations. Finally, we recognize that various external variables, including government policies, impact company actions during the COVID-19 crisis, outside corporate governance procedures. Consequently, we need a more in-depth examination of how various elements in conjunction with corporate governance procedures might effectively cushion the blow of the COVID-19 dilemma.

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