

Full Length Research Paper

Corporate governance in the Asian countries

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Corporate governance (CG) has assumed greater limelight with the series of corporate failings, following which the markets, investors and society at large have begun to lose faith in the infallibility of these systems. Nowadays, the conduct of those who take care of 'public' money is being questioned since they are being tested on 'ethical' standards. The study has advocated an application of 'Dharma', as stipulated in ancient Indian 'Shastras,' to improve CG. Improving CG has been on the agenda for Asian regulators, with most markets having introduced comprehensive regulations. How to increase corporate governance transparency in the Asian countries is the major problem? The paper has provided an overview of two studies recently conducted by the Asian Corporate Governance Association (ACGA) and JP Morgan. No doubt, CG scenario has improved to some extent in the Asia region and some countries have made significant progress, the ethos of CG is yet to sink in. Moves are afoot globally to promote 'convergence' of good CG practices. CG in Asia remains, at best, a work-in-progress requiring some rethinking.

Key words: Asian countries, corporate governance.

INTRODUCTION

The term 'governance' has been derived from the word 'gubernare', which means "to rule or steer". However, over the years, it has found significant relevance in the corporate world on account of growing number and size of corporations, the widening base of their shareholders, increasing linkages with the physical environment and overall impact on the society's well-being. During the 1990s, a number of high-profile corporate scandals in the U.S. (namely, Enron, WorldCom, Tyco, etc.) and elsewhere triggered an in-depth reflection on the regulatory role of the government in protecting the interests of shareholders. To redress the problem of corporate misconduct, ensuring sound corporate governance (CG) is believed to be essential for maintaining investor confidence and good performance. Undoubtedly, CG can be improved by making corporate operations more transparent, without sacrificing business strategy and secrets, which are absolutely necessary for success in the competitive market place (Greer et al., 2006).

Today, CG practiced by some corporations has turned out to be an annual ritual, involving "check-box" of items around legislative requirements. Realizing the need for 'good' governance, corporations must attempt to evolve

gradually from the traditional "compliance" approach to a "conscience" one. There has been recognition of the need to balance interests of not just shareholders but different stakeholders, who are equally important for the health of a company. Recently, CG has assumed greater limelight with the series of corporate failings, across the globe, following which the markets, the investors and the society at large, have begun to lose faith in the infallibility of these systems. Badawi (2005) portrays the situation as: "The recent wave of corporate fraudulent financial reporting has prompted global actions for reforms in CG and financial reporting, by governments and the accounting and auditing standard-setting bodies in the U.S. and internationally (including the European Union, the International Federation of Accountants, the OECD, and others) in order to restore investor confidence in financial reporting, the accounting profession and global financial markets".

Corporate governance (CG) is concerned with wider accountability and responsibility of the directors towards 'key' stakeholders of the corporations: employees, consumers, suppliers, creditors and the wider community. Oman and Blume (2005) have aptly pointed out that:

“Corporations around the world are realizing that better corporate governance adds considerable value to their operational performance. The poor quality of local systems of CG lies at the heart of one of the greatest challenges facing most countries in the developing world.” Moves are afoot globally to promote ‘convergence’ of good CG practices. “Codes on Corporate Governance” issued internationally by the Organization for Economic Co-operation and Development (OECD), World Bank and Common Wealth Secretariat are all promoting a convergence of corporate governance practices.

The International Accounting Standards, with linkages to the International Organization of Securities Commission (IOSCO), which represents most of the world’s regulating stock exchanges, are pulling towards a ‘harmonization’ of desirable CG practices. Yet the sober truth is that corporate governance practices in various countries still remain divergent, despite all these major initiatives for convergence.

Literature review

Corporate governance (CG) has attracted considerable attention over the past decades, leading to recommended codes of practice, conceptual models and empirical studies. A growing number of empirical studies conducted in the Western countries have demonstrated that good corporate governance contributes to better investor protection (Porta et al., 2000), lower costs of capital (Ashbaugh-Skaife et al., 2004), reduced earnings manipulations (Xie et al., 2001), increased company market value (Black et al., 2004; Brown and Caylor, 2004), improved stock returns (Gompers et al., 2003; Bauer et al., 2003) and even economic growth (Maher and Anderson, 1999).

Unfortunately, no study has been conducted, which attempts to explore CG values from the Indian “Vedas or Shastras”. It is in this context, an attempt is made here to explore age-old Indian philosophical tradition, and our *Shastras* (The Bhagavad Gita) to derive certain governance values so as to fill the gap.

Recently, corporate governance has received much attention in Asia due to its financial crisis. Fan and Wong (2002) reported that accounting transparency of firms in seven Asian economies is generally low. Bae and Jeong (2003) reported similar evidence for Korean firms. Ball et al. (2005) examined earnings transparency of listed companies in Hong Kong, Malaysia, Singapore and Thailand, economies that have relatively high accounting standards. They find that the reported earnings generally lack transparency and that adopting International Accounting Standards alone does not ensure high transparency. However, “Corporate governance Watch 2005,” a joint study undertaken by independent stock-broker CLSA Asia Pacific Markets and Asian Corporate Governance Association (ACGA) offers the most

comprehensive assessment of corporate governance standards within the Asia region. In order to provide an empirical support in the form of corporate governance and transparency scenario information, it has been utilized in the present study, the relevant data made available through their publication and media reports.

RESEARCH METHODOLOGY

The importance of using ‘ethical’ values in business is underlined by the increasing emphasis placed on corporate governance (CG). The concept of ethical values got was crystallized in the Hindu thinking in the form of ‘Dharma’. Not going anywhere else, if the age-old Indian philosophical tradition is looked into and the Vedas/Shastras (Bhagavad Gita, for example), it can be pinpointed that certain ethical values, which are also consistent with the value systems of other civilizations. This Hindu epic is part of the “Mahabharata” written by Rishi Veda Vyasa in Sanskrit, which could have been orally composed around 3140 BC, while written documentations were dated between 300 BC and 200 AD. Accordingly, the study has used an “empirical and exploratory” approach.

Corporate governance (CG) has been high on the agenda for the Asian regulators, with most markets having introduced comprehensive regulations in order to improve “transparency”. In the study, primarily secondary and published sources of data relating to corporate governance (CG) practices, transparency and reforms undertaken in the Asian countries/markets have been used.

ANALYSIS AND DISCUSSION OF STUDY

Using “Dharma” in corporate governance (CG): An Indian perspective

The corporate world must use ethics in its operations and make its business practices transparent and accountable to its stakeholders. To support this view, Sheikh and Chatterjee (2001) have aptly remarked: “Each company needs to develop its own code of ethics, based on the ‘core’ values of the business.” But what are ethics and do we have any ethical codes, which can be spotted in the ancient scriptures? If the Indian Shastras is looked into (The Bhagavad Gita, for example), certain ethical values can be pinpointed and derived. This Hindu epic, which is considered as the world’s longest poem, is part of the “Mahabharata” originally written by Rishi Veda Vyasa. In the Bhagavad Gita, there are 700 “shlokas” (or verses), which were written in “Sanskrit” language. Athreya (2005) very lucidly highlighted some of the concepts of Dharma, as enshrined in the Indian Shastras.

Dharma (righteousness)

It is the right path, which will uphold the family, organizational and the social fabric. It helps in the long-term upliftment of all living beings and ensures welfare of society.

Loka Sangraha (public good)

Work not just for private gain, but also for public good. The practice of Swartha Prartha (self plus others) is seeking ones own gains and also catering to the welfare of others.

Kausalam (efficacy)

It is the optimum utilization of resources efficiently and productively and the judicious use of resources and preserving the resources for future generations.

Vividhta (innovation)

Beyond survival, business has to be the 'engine' of innovation constantly seeking more effective solutions to meet their economic and social expectations. Such innovations are required in processes, products, materials, machines, organizations, strategies, systems and people.

Jigyasa (learning)

Change and continuity will co-exist. So, the corporations have to keep learning from the feedback loop from society and through internal processes of question, challenges, debates and training.

Dharma's origin can be traced as solution to eternal problems confronting the human race, originating from natural human instincts, Kama and Artha, respectively. In this context, Manu says: 'Akasmay Kriya Kaschdrishayate Neh Kahinchit, Yadvati Kurute Kinchhit tattkamasse chestitam'.

It means that there is no act of man, which is free from desire; whatever a man does is the result of 'endless' desires. The guiding force behind every action of human being is his desire, which is called 'kama'. There is a natural desire to have enjoyment and wealth, which is called 'Artha'. But artha and kama are subject to dharma. The propounders of dharma did appreciate that fulfillment of desires of human beings was an essential aspect of life but were of the opinion that unless law regulated the desires, it is bound to give undesirable results. Therefore, all the propounders of Dharma were unanimous that for existence of an orderly society (in this case an orderly market economy), the desires (Kama) for material enjoyment and pleasures (Artha) should always conform to the rule of Dharma.

Dharma protects those who protect it. Those who destroyed dharma also get destroyed. For the sake of getting a short-term benefit, resorting to lies or straying from the straight and narrow path ultimately leads to a long-term failure. It could, therefore, be suggested that even at the cost of sacrificing short-term benefits, it is better for an enterprise to adopt healthy and transparent business practices. The fundamental principles and

precepts of corporate governance (CG) are that "public good should always be ahead of private good and the corporate resources are not used for personal benefit of any individual."

From the perspective of Shastras, deeds are more important than mere words, slogans, rhetoric or lectures, as highlighted in one verse: "Why do you say that which you do not do?" Only when actions speak louder than words, can a good corporate governance (CG) culture emerge and protect the welfare of all stakeholders in today's corporate world. Another important ingredient of corporate governance is "accountability". On this matter, Shastras suggests: "Each one of you is a guardian (of family, organizations and society) and each guardian is accountable to everything under his care." If this tradition is translated into modern business dealings, all persons involved in business transactions are indeed accountable for all their actions.

The Bhagwad Gita in 16 - 24 States

Tsmachastrnm pramanam te karyakarvavyasthithao, Gyatva shastravidhanoktam karm kurtumihahirsi which means, let the 'Shastras' be your authority in deciding what you should do and what you should desist from doing. In this case, the Shastras are nothing else but the 'codes' of best practice (or 'good' governance) developed by various institutions. However, what is needed is 'uniformity' in those codes and 'effective' implementation by the corporations.

Some of the pillars of Indian philosophical tradition outlined above, which have explicitly provided for proper conduct, needs to be incorporated in dealings with other people, even though be of political or economic in nature. According to Rao (2005), "corporate governance can be ethical when it rests on the core values of honesty, integrity, respect, fairness, purposefulness, trust, responsibility, citizenship and caring." These values must not to be lost sight of by anyone, under any circumstances, irrespective of the goals that is intended to achieve. Similarly, Binoy and Binoy (2005) conclude: "To achieve the ends of good governance, the means are as important as the ends." Safe and fair play is always ethical, so we believe that: "do not do something that you would be ashamed of, if it becomes public." The situation we face in Asia (of 'bad' governance) is not actually 'bad' governance, but crisis of governability. Short-term gains had taken over the long-term vision and goals. Governance, in fact, is a way of life that necessitates taking into account all the stakeholders' interest in every business decision.

Corporate governance (CG) and transparency scenario in the Asian countries

Corporate governance (CG) in Asia has received much

attention in recent years due to its financial crisis. In fact, Asia is a very diverse region in terms of levels of economic development and institutional regimes. There are commonalities across the economies: prevalence of family ownership and relationship-based transactions. Asia has some specific corporate governance issues like family-ownership concentration and degree of minority-rights protection. Conventional corporate governance mechanisms (takeovers and board of directors) are not strong enough to relieve the “agency” problems in Asia. Firms do employ other mechanisms to mitigate their agency problems (such as employing reputable auditors), but even these have only limited effectiveness.

In fact, corporate governance is concerned with creating a system of checks and balances regarding decision-making rights within a company. The separation of ownership (the shareholder) and control (the management) in modern enterprises brings about “agency” problems in which the management may take actions that compromise the interests of its shareholders. Ferris et al. (2007) concludes: “We find that the incidence of derivative lawsuits is higher for firms with a greater likelihood of ‘agency’ conflicts. Derivative lawsuits are associated with significant improvements in the board of directors: the proportion of outside representation on the board increases”. An ideal governance structure, however, should give management sufficient room to exercise their talent, while simultaneously controlling their behaviour. “The Combined Code, 2003 (UK) is a practical implementation of this idea comprising two parts: principles of good governance and a code of best practice” (Chang et al., 2006).

A key element of ‘good’ governance is transparency, which incorporates a system of checks and balances between key players- board of directors, senior level of management, auditors and other stakeholders. As Islam (2006) rightfully observe: “Transparency requires enforcement of right to information- nature, timeliness and integrity of the information produced at each level of interface”. All this can succeed when the responsibilities of each segment of the corporate entity and their interface is clearly defined and understood by all.

The financial crisis that overran much of Asia in the late 1990s prompted most of the countries to give improved corporate governance (CG) a priority. “Spreading the Word: CG Watch 2005,” an annual collaborative study of the CG landscape of the Asian markets, jointly undertaken by the CLSA Asia-Pacific Markets and Asian Corporate Governance Association (ACGA) offers the most comprehensive assessment of CG standards and progress for both regulators and companies within the Asia region. Jamie Allen, Secretary-General of ACGA (2005), provides a vivid account of the methodology followed: “Substantial improvements on the basis of key determinants of CG, (namely, rules and regulations, enforcement, political and regulatory environment, adoption of international accounting standards, institutional

landscape and CG culture, respectively) had taken place in the Asian countries markets rankings for corporate governance. Countries in Asia were scored against these five issues and a weighting to each category applied to arrive at an overall country score,” as shown in Table 1.

In Singapore, Malaysia, Indonesia and Thailand regulators require companies to report their annual results within two months of the fiscal year-end. Similarly, quarterly reporting is mandatory in most Asian markets (except Hong Kong) where strong resistance to change appears to persist among many of the territory’s large companies. All markets (except Taiwan and the Philippines) require the disclosure of stakes (5% or more) in companies, and some markets also require the disclosure of individual directors’ compensation. Most markets also insist on the disclosure of audit and non-audit fees paid to external auditors. Other areas of improvement include enforcement, where there is evidence in most markets of increased resources being applied in this area. However, most markets have improved their accounting and auditing standards largely in line with international standards, although, there are discrepancies in Taiwan, China and Indonesia. Auditing standards are pretty much inline with international standards, other than in China. Singapore has already taken the big lead in its efforts to regulate the accounting profession.

Matthias et al. (2005) have portrayed pessimistic scenario: “Securities regulation in many markets has been updated and strengthened, especially in the area of dealings in securities by directors and related-party transactions. However, we do not see the legal system allowing minority shareholders cost-effective access to Courts in Hong Kong, India, Malaysia, the Philippines, Thailand or Indonesia.” Nowadays, agreement is growing at least in principle on what ‘good’ governance entails, and most countries in the region have adopted ‘explicit’ governance codes.

So far so much, for what is good in Asian corporate governance regulation, there is continued reluctance among many Asian markets not to shorten their annual reporting deadlines, especially in Hong Kong, South Korea, Taiwan and Indonesia. Only Korea has introduced comprehensive class-action litigation to assist investors to fight securities violations. China and Taiwan already have systems that allow a degree of class-action, and Thailand is having a bill under consideration. Unfortunately, no market has yet introduced mandatory “voting-by-poll,” rather than a simple “show-of-hands,” for all resolutions at shareholders meetings. Hong Kong and Taiwan, however, are rare examples of markets that require voting-by-poll for some major resolutions. Still, very few Asian markets require directors’ remuneration to be disclosed on a named, individual basis. Most markets permits disclosure to be made in aggregate (or by way of bands). Similarly, independent board committees (except audit committees) have not found strong support among

Table 1. The Asian governance regimes.

CLSA/ACGA Country* Ranking Criteria	China	Hong Kong	India	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Thailand
Rules and regulations										
Do most companies report their annual results within two months?	N	N	N	Y	N	Y	N	Y	N	Y
Have reporting deadlines been shortened in the past three years?	N	N	Y	Y	N	Y	N	Y	N	S
Is quarterly reporting mandatory?	S	N	Y	Y	Y	Y	Y	Y	S	Y
Do securities laws require disclosure of ownership stakes above five per cent?	Y	Y	Y	S	Y	Y	N	Y	N	Y
Do securities laws require prompt disclosure of share transactions by directors and controlling shareholders?	Y	Y	Y	N	Y	Y	Y	Y	S	Y
Are class-action lawsuits permitted?	S	N	N	N	Y	N	N	N	S	N
Is voting by poll mandatory for resolutions at Annual General Meetings?	N	S	N	N	N	N	N	N	S	N
Can shareholders easily remove a director who has been convicted of fraud or other serious corporate crimes?	S	S	N	S	N	S	S	Y	Y	N
Will share option expensing become mandatory over the next ten months?	N	Y	S	S	N	N	Y	Y	S	N
Enforcement										
Is there an independent commission against corruption (or its equivalent) that is seen to be effective in taking public and private sector companies?	N	Y	S	N	S	S	N	Y	N	N
Political and regulatory environment										
Is the statutory regulator (i.e., securities commission) autonomous of government (not part of the Finance Ministry)?	S	Y	S	N	S	S	S	S	S	S
Accounting and auditing										
Do the rules require disclosure of the consolidated accounts?	Y	Y	Y	Y	Y	Y	Y	Y	S	Y
Do the rules require segment reporting?	Y	Y	Y	S	Y	Y	Y	Y	S	Y
Do the rules require disclosure of audit and non-audit fees paid to the external auditor?	Y	Y	Y	N	Y	Y	S	S	Y	Y
Do the rules require disclosure of connected transactions?	Y	Y	Y	Y	Y	Y	S	Y	Y	Y
Does the government or the accounting regulator have a policy of following the international standards on auditing?	Y	Y	S	S	S	Y	Y	Y	S	Y
Institutional mechanisms and corporate culture										
Are institutional investors engaged in promoting better corporate governance practices?	N	S	S	N	S	S	N	S	S	S
Are any retail investors engaged in promoting better corporate governance practices?	N	Y	S	N	Y	S	N	Y	N	N
Have retail investors formed their own shareholder activist organization?	N	N	Y	S	Y	S	N	Y	N	N

*Japan was not covered in this survey. Y = Yes, N = No, S = Somewhat. Source: The CLSA Asia-Pacific Markets and Asian Corporate Governance Association: CG Watch, 2005.

Table 2. Markets ranked by corporate governance in Asia.

Markets	Rules and regulations (15%)	Enforcement (25%)	Political and regulatory (20%)	IGAAP (20%)	CG culture (20%)	Country score (2005)	Country score (2004)
Singapore	7.9	6.5	8.1	9.5	5.8	7.5	7.7
Hong Kong	6.6	5.8	7.5	9.0	4.6	6.7	7.3
India	6.6	5.8	6.3	7.5	5.0	6.2	6.6
Malaysia	7.1	5.0	5.0	9.0	4.6	6.0	5.5
Korea	6.1	5.0	5.0	8.0	5.0	5.8	5.5
Taiwan	6.3	4.6	6.3	7.0	3.5	5.5	5.8
Thailand	6.1	3.8	5.0	8.5	3.5	5.3	4.6
Philippines	5.8	3.1	5.0	8.5	3.1	5.0	3.7
China	5.3	4.2	5.0	7.5	2.3	4.8	4.3
Indonesia	5.3	2.7	3.8	6.0	2.7	4.0	3.2

Source: CLSA Asia Pacific Markets, Asian Corporate Governance Association, "CG Watch 2005," p. 8.

Table 3. Average days between close of books and reporting.

Country	Quarterly	Semi-annual	Annual report (consolidated)
Australia	20*	51	63
China	32*	60	90
Hong Kong	18*	66	97
India	25	25	84
Indonesia	48	58	132
Korea	37	37	100
Malaysia	57	57	87
Philippines	49*	49	86
Singapore	42	40	83
Taiwan	30	52	114
Thailand	31	31	71
International Average #	35	N/a	59

*Only 7 or fewer companies report quarterly in firms sampled. # comprises 8 selected US and European blue-chips. Source: JP Morgan estimates as reported in News Briefs Q 3, 2005.

regulators and no market makes it easy for minority shareholders to nominate independent directors. As Wong and Soo (2005) states, "Worryingly, only Singapore, Taiwan and, to a lesser degree, South Korea, have regulations that make it easy to remove directors convicted of fraud or other serious corporate crimes".

According to Panjwani (2005): "The country corporate governance (CG) score for India for 2005 is 6.2, or third in the region after Singapore (7.5) and Hong Kong (6.7), as shown in Table 2. While India scores over most other Asian markets in areas of rules and regulations and their enforcement, it scores lower than most on adoption of international auditing standards". Malaysia improved its ranking by two places as a result of improved accounting standards, better enforcement and higher score for its political and regulatory environment, while Philippines marginally leapfrogged China due mainly to its higher score for accounting and auditing. Indonesia remains

firmly rooted at the foot of the table. Leahy (2004) concludes, "Securities laws and listing requirements of stock exchanges have been strengthened, regulatory authorities have enhanced powers, and the media are becoming inquisitive and probing. However, the institutions needed to ensure good governance (namely, judicial systems, capital markets, long-term institutional investors that can push for better governance) which continues to be underdeveloped in most of these countries".

Another research study reported by JP Morgan (2005) highlights just how varied Asian markets are in timeliness of their financial reporting. They analysed 172 large and liquid Asian companies in order to calculate 'average' number of days taken between close of books and reporting variety of data, including quarterly, semi-annual and consolidated annual results (Table 3). Surprisingly, Hong Kong companies fared worse than their Asian

counterparts in the reporting of 'interim' results, they took an average of 66 days between book close and reporting. For consolidated annual reports, Hong Kong companies were fourth slowest with an average of 97 days (only Indonesian, Korean and Taiwanese firms taking 132, 100, 114 days, respectively, performed more poorly). While Hong Kong companies did score extremely well in quarterly reporting (18 days against international average of 35 days), the sample size was extremely small (only 3 companies) because quarterly reporting is not mandatory. It is a matter of great pride that some Indian companies (like Infosys Technologies and Hughes Software Systems) stand out for being much faster (25 days) at quarterly reporting, while those in Taiwan (30 days) and Thailand (31 days) also do well. But when it comes to 'consolidated' annual reports, only one country (Australia with 63 days) comes close to the international average of 59 days. Thai companies lead the Asian pack at just 71 days, while Singapore and Indian firms report after an average of 83 and 84 days, respectively. Unfortunately, Indonesian companies give investors the longest wait (132 days). Further, Morgan study singled out certain Asian companies (viz., Infosys Technologies and Hughes Software from India, TSMC from Taiwan and ST Engineering from Singapore) for exceeding required regulatory standards and taking CG very seriously. Looking ahead, reporting deadlines are likely to shorten in Asia. Ramaswamy (2005) adds here: "Under the US Sarbanes-Oxley Act, 2002 the SEC will cut filing periods in phases over 2003 - 06. The deadline for annual reports, for example, will be cut from the original 90 days to just 60 days for fiscal years ending on or after December 15, 2006. It can be easily anticipated that these new requirements will raise the bar on reporting standards and will put pressures on regulators in Asia to force improvements soon".

New forms of corporate governance (CG) behaviour will take considerable time to become ingrained in the thinking and culture of companies. Governments, corporate leaders, investors and regulators in the Asian countries do realize that corporate governance practices would not change overnight, so patience is needed. Getting companies to comply with corporate governance rules across Asia is a daunting task requiring greater transparency and better enforcement, not to mention a cultural upheaval in boardrooms. But given the vast amount of differences in ownership structures, business practices, and enforcement capabilities, merely adopting CG requirements en masse from the USA or the Europe would be a foolish mistake. Asian governments should rank their reforms, from time to time, in order of priority and tailor them to the country's specific needs. Ensuring that local laws and CG codes are consistent with the Organization for Economic Co-operation and Development (OECD) "Principles of corporate governance (CG)," we personally feel would be a good starting point. In this context, Witherell (2004) very appropriately pointed out:

"Policy makers, investors, corporations and stakeholders, worldwide have used these principles to tackle a broad set of relevant issues common to all, such as, the need for transparent reporting, having informed shareholders and accountable boards of directors". However, the people are of the firm opinion that it is better to enforce 'basic' reforms vigorously rather than to adopt requirements that would go totally unheeded.

Melendy and Huefner (2007) have recently advocated the constitution of "Compliance Committees" to improve corporate governance (CG) scenario. Without greater transparency in corporate governance, laws and governance codes will do little to build investors' confidence in the long-run. Notwithstanding recent reforms, accounting standards in many Asian countries remain weak, enough trained professionals are not available (with an in-depth understanding of local and international accounting standards), and accounting self-regulatory organizations are lax in enforcements (Parker, 2007). As Choi et al. (2007) remarks: "Disclosure requirements and auditing practices are improving slowly since national financial reporting standards are gradually being "harmonized" with international standards. Yet, the sober truth is that corporate governance practices in various countries still remain divergent despite major initiatives for convergence." Although, most Asian countries are strengthening their accounting standards and adopting minimum CG rules, many are still lagging behind in their effective enforcements: lack investigative powers and political will, enforcement staffs, or big budgets to conduct rigorous investigations. Most governments are augmenting their resources to monitor companies and enhancing the authority of their regulators, some of which are now getting tougher. Region-wide organizations (such as, ACGA) have been formed to promote understanding, sharing country-specific experiences and problems and stimulating corporate reforms in the right direction. As Barton and Coombes (2005) observed: "Several regional groups, including CLSA Emerging Markets (a regional brokerage firm), Thai Rating and Information Services, and India's ICRA, to name a few, publicly rate the governance practices of listed companies."

No doubt, corporate governance (CG) has improved to some extent in the Asian region and some countries (especially Singapore) have made significant progress in this direction. The next step is to instill "new governance" behaviour, and it will take considerable time in the near future. Many corporate leaders, investors, and regulators in Asia articulate the benefits of effective corporate governance. They understand that enduring reforms would not be achieved overnight, and that, in the short term, many practical impediments and disincentives may block (or slow down) the necessary changes. Thus, to move ahead in the right direction with consistent pace, across the Asian region, both governments and companies must play their respective roles. In this context, Leahy (2004) aptly remarked: "Governments should provide a strong

legal and regulatory framework to underpin the reforms. Companies, on the other hand, should create stronger and more purposeful boards; enhance the scope, accuracy and timeliness of financial reporting; and pay more regard to the rights and interests of minority shareholders". While country-specific provisions will differ from country to country, any reform effort must include following core elements: robust corporate and securities laws, tough accounting standards, strong regulators, efficient judicial systems, and determined efforts to clamp down on 'corruption'. Without sustained progress in the foundations of corporate governance, any improvement focused at individual companies level will fall far short of its potential.

Conclusion

Corporate governance (CG) scenario has improved to some extent in the Asian region and some countries have made significant progress. Agreement is growing at least in principle on what "good" Corporate governance (CG) entails, and most countries in the region have adopted 'explicit' governance codes. However, to move ahead in the right direction with consistent pace, across the Asian region, both governments and companies must play their respective roles, as stated above.

Maintaining the momentum for corporate governance reforms in the Asian countries will require some rethinking on 'basic' questions. First, what major rule changes or changes to the legal system are needed to allow market participants to fully engage in corporate governance reform and to complement the efforts of regulators? Secondly, do any existing procedural rules inhibit investors from exercising their most basic rights, such as, voting and participating in annual general meetings? The answers in many parts of the region are amply clear, that they do. Thirdly, are any existing rules inherently self-defeating and incapable of producing the intended outcomes? Weak definition of independent director is a good example. Fourth, are we creating potential conflicts or managerial inefficiencies within companies by grading new global best practices onto traditional company law structures without reforming them? A good example here is the introduction of independent directors into the quasi two-tier or dual-board system of China, Indonesia, Japan and Taiwan.

Jamie (2006) strongly asserts, "If we want robust and effective corporate governance, we need robust and well-crafted rules, and vigorously enforcing them. Corporate governance (CG) stems from the culture and mindset of management and cannot be regulated by legislation alone; too many legal provisions and their intricacies would make the real objective worthless". Still much work remains to be done in Asia and the ethos of corporate governance culture has yet to sink in. Full convergence with international accounting and audit standards, better protection of minority investors, stronger enforcement of

existing laws and regulations, etc., are some of the grey areas requiring immediate improvements in corporate governance scenario in the Asian countries. In nutshell, corporate governance (CG) scenario in Asia remains at best a gradual work-in-progress, and how soon it will attain perfection only future will tell.

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â€¢ Corporate Governance code for most of the countries in US, Europe and APAC state a requirements of an effective internal control system and disclosure of its adequacy in the companyâ€™s annual report. Corporate Governance Requirements in India Boardâ€™s Report and its inclusions Directorsâ€™ Responsibility Statement (DRS) Additional requirement on Internal Financial Controls (IFC) and legal compliance.Â International Trends. Corporate Governance Requirements in India. Brazil: IBGC Corporate Governance Code states that directors should ensure that the RPTs are conducted according to the market practices in terms of deadlines and rates and are clearly reflected in the organisation reports. There is a prohibition on the loans in favour of the controlling partner and the administrators. Corporate governance in the Philippines is characterized by concentrated ownership by a limited number of family shareholders, within a bank-dominated financial market. A comprehensive set of corporate law and capital market regulations are enforced by relatively weak institutions that are undergoing restructuring reforms. As in many East Asian countries, the need to strengthen corporate governance was highlighted during the financial crisis in the region, and recent securities market scandals. This report benchmarks Philippine corporate governance against the OECD Principles of Corporate Gove...

