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Corporate Governance Practices in Petroleum Sector

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Abstract: The execution of corporate governance will lend support towards extension of the existing norms. The corporate governance previously where done as a regulatory function and was attached in the midst of Companies' Act 2013. The corporate governance was installed for the assistance of internal and external stakeholders. This would harmonize the affiliations among the stakeholders. The decisions for a mixture of matters could be made in a wise manner. The transparency regarding the business dealings can be accomplished through proper installation of corporate governance. This study interviewed 23 professionals of petroleum industry about the establishment of corporate governance practices. Later, questionnaire also distributed to them. Results of both in-depth interview and data analysis indicate a similar result that petroleum industry has established corporate governance practices. In addition to that petroleum industries are funding for other organizations also.

Keywords: Corporate Governance, Petroleum Industry, General Managers, Funding

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I. INTRODUCTION

The corporate governance is considered as an indispensable constituent of successful business. The modification of ownership configuration is habitually playing a dominant role. The shareholders oblige the management to exercise the corporate governance. This might possibly get a place in the books of accounts and also in the other records of the firms. The panel of directors intends to preserve privileges of all the stakeholders. There is incredible boost up in the fraudulent tricks and swindles. Therefore, it is mandatory to employ a proper corporate governance practice. When the companies indulge in various businesses, corporate governance is essentially required. The shareholders have only a limited time for participating in all business activities. In order to defeat these kinds of matters, corporate governance should be installed. For competing in the global market an adequate knowledge regarding their policies and regulations are necessary. The installation of corporate governance is primarily imperative for building up of investors' relationships.

II. REVIEW OF LITERATURE

Keschnick and Moussawi (2018) illustrates that the corporate leverage is adversely correlated with the firm age. The interference between the firm age and governance describes the negative correlation. The study strongly points out that the relation between the age of the firm and composition of the board are significant.

Fukuda et al. (2018) discovered the impacts of the corporate governance in the unlisted companies which operate in Japan. It is found that performance is highly influenced by the ownership structure. The study advocates that the biased governance operates constructively with the companies of good performance and destructively with companies of poor performance.

Nadarajah et al. (2018) linked the liquidity and government in order to perform the leverage. The study is executed with reference to Australia. The study exhibits that the stock liquidity and corporate governance lessens the leverage whereas the relation for inverse governance-leverage is higher for the high liquid stocks.

Nakpodia and Adegbite (2018) investigated the association between the mechanisms regarding the effectiveness of the corporate governance and elitist interventions. The study initiated three elitist groups such as religious, cultural and political in order to examine the effectiveness and legitimacy of institutional drivers of the corporate governance with respect to Nigeria. The verdict of the study is that these are capable of circumventing and corrupting the institutions.

Marques et al. (2018) suggests that the market is liable to offer funding alternative in spite of the necessity for the improvements in self regulation. The outcomes of the study depict that non-defaulted companies possess higher scores in addition to quality of corporate governance of the issuer.

Adnan et al. (2018) suggested that the reporting of Corporate Social Responsibility (CSR) established in the individualistic and low down power distance societies. The coverage of CSR is strengthened by the board committees.

Schymik (2018) describes about the impact of globalization on the power balance between the managers and firm owners. The study formulates a theory based on the investments of the endogenous corporate governance in industry equilibrium with monopolistic competition. The study projects that the utilization of investments is a cheaper substitute for performance compensation.

Dang et al. (2018) recommend that the governance and target performance are linked in the bidders location planning. The study highlights that the targets of the pre bid governance are associated to the outcomes of post-bid performance. The illustration of the study shows that the external monitoring factors affect changes in post-bid performance strongly.

Gendron (2018) developed intellectual trajectories in the area of corporate governance. The key processes of the corporate governance are related to propagation of myths and constitution as well as reflective skills of the board members. The study also gives a clear picture about whom the corporate governance is addressed and for what the corporate governance is required.

Paniagua et al. (2018) scrutinized that how the relation between corporate governance and ownership structure associated with financial performance of the firms. There are two contributions developed by this study. The study employs empirical technique.

Baez et al. (2018) projected the position of the gender multiplicity in the corporate governance. Moreover, it measures effects of corporate governance on the company performance. The study uses data from 118 companies. The study focuses to elaborate vast gap alive between the men and women in order to detect the gender.

Grosman et al. (2018) spotlighted on agents who possibly temper the conflicts of principal and principal. Yeh (2017) discusses that the enhanced laws and regulations will condense likelihood of the family progression. The attendant upgrading in the interior corporate governance will dwindle the family train. The study also implies that the government is decisive in the establishment of these mechanisms to get better corporate governance.

III. ESTABLISHMENT OF CORPORATE GOVERNANCE PRACTICES IN PETROLEUM INDUSTRY

This study has conducted in-depth interview with the general managers, managers and secretaries in petroleum corporations to ascertain the corporate governance practices in their industry. Interview has been conducted with 23 professionals followed by questionnaire was distributed to them. Their information is given in Table 1.

TABLE 1: EMPLOYEE’S PROFILE

Gender	**Frequency**	**%**	**Age**	**Frequency**	**%**
Male	11	47.8	Less than 25 Years	3	13
Female	12	52.2	25-35 Years	6	26.1
Total	23	100	More than 35 Years	14	60.9
Designation	**Frequency**	**%**	**Education Qualification**	**Frequency**	**%**
General Manager	7	30.4	UG	3	13
Manager	10	43.5	PG	9	39.1
Secretary	6	26.1	Others	11	47.9

The first phase of interview handled with seven general managers followed by 10 managers and six secretaries. Out of 23 respondents, nearly 52 percent were female. Majority of them are in the age of more than 35 years. The employees hold degrees of under graduation, post graduation and professional courses. In the last and second phase, the professionals were asked to fill the questionnaire which includes the questions related to goodness of policies, registered tax payer, funders for the organization, risk governance structure, stakeholder management, auditing, competitiveness and modern corporate governance. All these questions are connected with corporate governance practices.

TABLE 2: ESTABLISHMENT OF CORPORATE GOVERNANCE PRACTICES

S. No.	Establishment of Corporate Governance Practices	Mean	Rank
1	The governance policies of the company are so far so good. (Goodness of Policies)	4.13	5
2	The organization is a registered tax payer. (Registered tax Payer)	4.78	1
3	There are funders for the organization. (Funders for the Organization)	3.57	8
4	Organization has a risk governance structure. (Risk Governance Structure)	4.04	7
5	Organization complies with the stakeholder management. (Stakeholder Management)	4.39	3
6	There is an internal auditing and an external auditing. (Auditing)	4.77	2
7	Complying with the integrated reporting has improved the competitiveness in the market. (Competitiveness)	4.12	6
8	There is a use of most modern corporate governance practices. (Modern Corporate Governance)	4.17	4

The responses through questionnaire method have been gauged with the help of mean analysis. The results indicate variable of registered tax payer has more mean value of 4.78 followed by auditing (4.77), stakeholder management (4.39), modern corporate governance (4.17), goodness of policies (4.13), competitiveness (4.12), risk governance structure (4.04) and funders for the organization (3.57). In majority of the cases, the mean value is greater than 4 i.e. professionals are in accord on the statement. Hence, it concludes that petroleum industry established the corporate governance practices. This study uses factor analysis to evaluate the similarities among these nine variables.

TABLE 3: CUMULATIVE PERCENTAGE OF VARIANCE

S. No.	KMO	Factors	Total	% of Variance	Cumulative %
1	0.958	Component 1	5.026	64.089	64.089
2		Component 2	1.379	17.239	81.328

KMO value is 0.958 (Thumb Rule: It should be > 0.6) and shows positive signal to perform factor analysis. All the nine variables have been grouped in two factors. Both the factors collectively explain 81.3 percent of variance.

TABLE 4: FACTOR LOADINGS

S. No.	Establishment of Corporate Governance Practices	Factors	
		1	2
1	Stakeholder Management	0.946	-
2	Competitiveness	0.907	-
3	Modern Corporate Governance	0.877	-
4	Auditing	0.846	-
5	Registered Tax Payer	0.846	-
6	Goodness of Policies	0.832	-
7	Risk Governance Structure	0.700	-
8	Funders for the Organization	-	0.865

Out of 8, seven variables such as stakeholder management, competitiveness, modern corporate governance, auditing, registered tax payer, goodness of policies and risk governance structure stored in factor 1. All these variables are related to traditional and modern corporate governance practices where as second and last factor has variable of funders for the organisation. It is clear that petroleum industry adopts both traditional and modern practices of corporate governance and provides fund for another organisation.

In the interview process also professionals were arguing that company has established strict corporate governance to improve the performance of organisation in a systematic manner. Moreover, all the professionals have similar perception with respect to significance of corporate governance. The formulation of a quality brand name for the firm is possible by means of better governance. As a whole, corporate governance is essential for safeguarding the interests of all the people involved or participating in the business.

IV. CONCLUSION

The elevated stage of corporate governance will enhance the reputation of company in a stronger way which would help in well being of the shareholders in addition to investors. This performance would intentionally keep the companies to maintain the accounts and further information apparently. There are countless new-fangled customs launched subsequent to the companies' act 2013. They have supported the companies to present well. The Companies Act compacts with independent directors, audit committees and board meetings, etc. The SEBI treats with the fortification of the investors. This accounting standard shapes the revelation of accounts which is obligatory. The conformity of stock utters the prices of shares list. The secretarial standards natters regarding the incidence of meeting apprehended for the shareholders to solve the concerns in corporate governance. The latest amendment points towards the firms that at least one women director ought to be supplemented to the directors catalog. Every business must contain a directory. The number of directors should never go beyond fifteen.

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