ISSN No : 2455–7595 (Online)
International Journal of Research in Management Studies
A Peer Reviewed Open Access International Journal
www.ijrms

Corporate Governance Legal Study between Iraq and India

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Abstract
Corporate governance is predominant for any organisation to direct and manage with a structure of rules, practices, and processes. It is highly important to create a system of rules and practices to distinguish how the organisation should be working in aligning with the interest of its all stakeholders. Good corporate governance leads to run the organisation with financial viability. The basic principles of corporate governance are accountability, transparency, fairness, responsibility, and risk management. Though the fundamental working principles of corporate governance may be same in all countries the slight variation can be seen in India and Iraq. The main purpose of the research study is to distinguish the differences and similarities in the corporate governance implemented in India and Iraq by conducting a legal study. The research work has conducted the true legal study evaluation on corporate governance working principles and fundamental processes in India and Iraq companies and distinguish the differences and similarities in implementing corporate governance.

Key Words: Corporate Governance – Legal study – fundamental working principles – implementation guidelines in India and Iraq.

Corporate Governance

Corporate governance is built on the framework of policies and guidelines to reveal an organisation's conduct, decision-making, and practise. The corporate governance infrastructure is developed on four key principles: accountability, transparency, fairness, and responsibility. Corporate governance is highly essential for achieving sustainability goals [1].

India and Iraq share a long history. Management shortcomings and countless financial scams paved the way for corporate governance. A critical issue for developing countries, affecting their financial discipline and economic development. The judicial system's origins are linked to its fiscal and economic design. It is distinguished by the degree of opacity with which governmental and regulatory authorities operate. A legal framework is essential for effective corporate governance and investor rights. The government must regulate regional and corporate governance systems to increase transparency and liquidity. Strong governance systems can lead to economic growth and poverty reduction [2].

Efficient company governance increases access to external financing, leading to increased development and work. Poor governance hinders the creation and growth of new businesses.

Cite this article as: Mohammed Fadhil Mohammed & Prof.D. Surya Prakasa Rao, “Corporate Governance Legal Study between Iraq and India", International Journal of Research in Management Studies (IJRMS), ISSN 2455–7595, Volume 7, Issue5, May 2023, Page 17-22.

Many corporate governance norms and standards could be observed globally, like Sarbanes-Oxley legislation, Cadbury Committee recommendations, and OECD norms. Systems with English-origin CG have the highest number of firms per capita, while systems with Scandinavian-origin CG have the lowest. Accountability and transparency are essential for democracy, especially in developing countries. Codes and norms are being identified in increasing numbers[3].

Governments promote accountability through the Right to Information Law, proactive transparency, and an open data approach. Corporate governance is an important subject for banks and financial organisations. It is distinguished by transparency and the state's and regulators' roles in its actions. Countries with more shareholder rights, laws, and enforcement have higher equity finance. Effective corporate governance procedures improve resource allocation, management, and return on capital. Lowering capital, lowering risks, and increasing company value increase company investment. Economies with higher equal rights regulations have higher ROA. Excellent governance practices can reduce the risk of financial meltdowns. Currency depreciation is linked to governance quality [4].

Corporate Governance - India Poor implementation and socialist policies have affected corporate governance in India. The 1956 Companies Act and laws for joint-stock companies and investors' rights were introduced. The Securities and Exchange Board of India, or SEBI, was created to oversee and govern the trading of shares [5].

Audit committees have enabled public-sector banks to become more independent. SEBI instituted Clause 49 dealing with corporate governance. DFIs and state financial corporations provided long-term credit. Equity markets were inadequate to protect minority shareholders and creditors. The CII Code was developed to address corporate governance concerns. MCA 21 revolutionised Indian corporate governance, enabling faster and more transparent governance, exchanging data, and delivering unified services in time. G2C services allow the inspection of registrars' records. (Section 610 of the Companies Act of 1956). Designated government officers have access to firm data through a secure DSC login. Adjustments were made to electronic corporate governance under the Corporate Governance Code [6]. The RBI governance model promotes public banks' independence while limiting fraud. India has seen linear growth in terms of CG, with 7.79 companies per million citizens. The Companies Act of 1956 created legislation governing joint-stock businesses and investor rights. PFMS, DBT, C&AG, CVC, RTI, and social audits should be strengthened to enhance openness and accountability in governance. Financial committees recommendations reformed Indian corporate governance, board composition, and laws. India has developed norms for listed companies, but agency problems and minority investor manipulation continue to exist. Foreign analysts and stock markets influence the actions of a few private Indian corporate entities. Improved Corporate governance is trusted by the financial institutions and businesses, with banks eyeing market-based CG [7].

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Definition: SEBI defines corporate governance as “the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders.”[8].

Corporate Governance – Iraq In 2003, Iraq eliminated autonomy and established a governmental system. Since the 2008 financial crisis, corporate governance has strengthened Iraq's economy. The primary corporate governance obligations code is the Companies Law, with no norms to control its issues. The Corporations Law No. 21 of 1997, as revised by Law No. 17 of 2019 (the "Companies Law"), governs the establishment of non-public corporations in Iraq. Organisations should define managerial objectives, establish rules, and include regulations and obligations in their articles [5]. In the public sector, private and mixed enterprises are limited to 25% of share capital, while in mixed corporations, there is minimal public sector participation. Private businesses may be an LLC, JSC, general partnership, sole proprietorship, or simple corporation; mixed businesses may only be an LLC or a JSC. A frequently registered entity is the branch of a foreign company with commercial activity limited to the registrant of the foreign company [9]. The Companies Law protects shareholders from exploiting their powers and voting rights for personal gain. The managing director cannot be both a member of the board and the chairman of another joint-stock firm. LLCs and JSCs must hold at least 51% of Iraqi shareholding capital. Though there is a need for common legislation to ensure good governance, The law does not apply to the KRI, as it has not been passed by the Kurdish Parliament's legislative power, except for certain matters reserved to the federal government. Any law, instruction, or regulation is applied in federal Iraq. Insurance and financial investment companies must register as JSCs, whose shares may be publicly traded, while LLCs are prohibited [10]. There are no laws or regulations for companies regarding environmental, social, and governance (ESG) issues in Iraq, but they may be provided for in the company's internal policies or articles of association based on international practices. Iraq and other developing countries' weak institutional structure and corruption limit the market's ability to develop or regulate norms. Institutional investors are not effective in corporate governance. Iraqi firms should recruit more independent directors and have more audit committee meetings to promote board independence and corporate governance. International investors can help Iraqi financial organisations improve corporate supervision. Reinforcement of rules to improve corporate governance, attract investors, and boost economic growth is needed. Iraq's unexploited oil fields have immense growth potential [11].

Similarities and Differences

Asian economies have a predominance of family-controlled businesses, which is linked to pyramiding and weak property rights. Concentrated ownership by management in Asian countries is like that in US companies. The firm's worth increases with the largest owner's stake but decreases as their management authority over equity increases. Companies with lower family control perform better in India. Managers must act on behalf of shareholders to distribute profits. According to the 2023 data research, the corruption index for India and Iraq is 40 and 23, respectively, 0

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being extremely corrupt and impacting good governance. The Indian and Iraqi financial sectors have rudimentary stock markets, family businesses, and corruption. Iraq, unlike India, does not utilise alternate and situational financial responsibility structures depending on characteristics such as accountability, transparency, size of administration expenditure, and so on. A few universal potential management problems are limited liability structures and dispersed ownership, which inevitably lead to ineffective and distant management control from the owners. E-corporate governance is a fluid, multifaceted process that is key to better corporate governance. E-corporate governance is needed to create ethical business organisations and agencies. Information and communication technology has unexplored potential to improve good governance [12]. Concerns remain unresolved, undeveloped, and undiscovered. The National E-Governance Plan (NeGP) aims to ensure efficient, transparent, and reliable public services. Execution of corporate laws remains a weak link in India's legal and corporate governance framework. Effective governance in India has constraints: technology, infrastructure, accessibility, implementation, maintenance, illiteracy, administrative decisions, inappropriate approaches, physical, community, and financial inequalities, security, and data privacy. Iraq faced challenges in implementing e-government, including regulatory, electoral, technological, and social [13]. The e-government in Iraq requires ICT as a key step. Lawmakers with low ICT skills risk growth. Lack of coordination, security equipment, user confidence, IT law, and integrity hindered e-government in Iraq. As per the United Nations, Iraq's online services (low OSI) lack infrastructure and human capital development. India has a high-quality workforce and internet services but lacks infrastructure despite its lagging communication network. Accessibility for disabled people and gender equality are important goals[14], [15].

Low OSI				
Middle TII + Very high HCI	Middle TII + High HCI	Middle TII + Middle HCI	Low TII + High HCI	Low TII + Middle HCI
Libya, Palau	Honduras, Iraq, Sao Tome and Principe	Djibouti, Gambia, Guinea-Bissau, Mauritania, Sudan	Democratic People's Republic of Korea, Democratic Republic of Congo, Equatorial Guinea, Tuvalu	Comoros

Source: 2022 United Nations E-Government Survey.

Very high OSI			
High TII + Very high HCI	High TII + High HCI	Middle TII + Very high HCI	Middle TII + High HCI
Mexico Albania	Indonesia	Ecuador	India Rwanda

Source: 2022 United Nations E-Government Survey.

Conclusion

The development of norms and guidelines is essential for improving corporate governance. Good governance and accountability can help improve responses to pandemics. Government access allows management to gain business access. Security as key, Risk management and external audits must be inspected per national and international norms and practices. Risk-based prioritisation should be used to prioritise governance, transparency, and reporting. Increase stakeholder knowledge of control and inspection authority. There is the potential economic benefit of infrastructure enabling integration through norms and providing citizens with uniformity in governance. Integrated community and national governance systems foster transparency and accountability. Through better data and openness, concerns may be reported, resolved, and monitored by community-driven accountability frameworks like citizen report cards, budgeting, and surveys. A clear vision and plan are needed to adopt e-government, shifting the nation's perspective. Lack of study in Iraqi public policy leads to a lack of corporate governance, while proper implementation of rules is the root cause in India. Reduce bribery, improve transparency, increase accessibility, and reduce expenses are a few advantages.

Strategies for improvement and development affect the entire system. Work in compliance is needed to create a positive corporate governance culture. Corporate governance in Indian and Iraqi enterprises must be conquered.

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