



## Performance Ranking of BSE Sensex 50 Companies with Compliance to Corporate Governance Disclosure Practices

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### Abstract:

India has experienced lots of financial scam like Sahara, Satyam, Saradha, Harshad Mehta cases, etc. in the corporate sector which has deeply affected the Capital market of India in the past few years back. To protect the interest of the investors, SEBI amended Corporate governance provisions under Clause 49 of the listing agreement to align with the Companies Act, 2013 by Ministry of Corporate affairs. Corporate governance refers to the systems, processes, and practices through which companies are directed and controlled. It involves the mechanisms by which stakeholders such as shareholders, board members, managers, employees, and other parties interact to ensure the company is run efficiently, ethically, and in compliance with laws and regulations. The purpose of the study is to rank the company based on corporate governance disclosure index. The sample of the study includes all the company listed under BSE SENSEX 50 which has a list of 50 companies from different sector or industries. The study used secondary data which are collected from the official website of the respective company annual reports selected for the study and also the online journals and books. The finding of the study reveals that most of the companies are below the average score and follow low compliance. The study seeks to benefit the potential investor, shareholders, future investor, researchers, academicians, etc.

**Keywords:** Corporate Governance, BSE SENSEX, SEBI, Companies Act.

### 1. Introduction:

The notion of corporate governance arose in India after the second half of 1996 due to economic liberalization and deregulation of industry and business. With time, there was also a need for firms to be more accountable to their shareholders and consumers. The Chamber of Indian Industries (CII) created the core 15 rules for corporate governance in 1998. Corporate governance refers to a system of principles, ethics, values, morality, rules, laws, and processes, among other things. Corporate governance is a structure in which directors are entrusted with obligations and obligations regarding the company's operations (Kulhari, 2021).

The corporate collapse due to the lack of independence or effective monitoring by independent directors has been discussed in many regulatory debates. It led to continuous reforms by SEBI in the last two decades to strengthen board independence in corporate houses (Arora, 2024). Corporate governance plays a vital role in creating a culture of consciousness, transparency, and openness (Ahdal et al, 2020). Effective corporate governance practices are also fast emerging as a fundamental obligation owed to shareholders and other stakeholders (Chowdhury, 2024). The issue of corporate governance was first addressed by the Confederation of Indian Industries in 1998 with its concept of a “Desirable corporate governance code.” It mooted the role of independent directors in limited companies and their compensation fixation. This was followed by the setting up of various committees over the years by the Securities and Exchange Board of India (SEBI) and the Ministry of Finance, prominent ones including the KM Birla Committee in 2000, the Naresh Chandra Committee in 2002, and the Narayan Murthy Committee in 2003 (Negi & Jain, 2022). All these deliberated on various aspects of corporate governance, including board composition, the role of independent directors, auditor–company relationship, audit-company responsibilities, audit reports, risk management, codes of conduct, and financial disclosures. Most of their recommendations were included in “Clause 49” of the stock exchange listing requirements issued by SEBI. However, with the Companies Act 2013, “Clause 49” was further amended to include additional aspects like performance evaluation of the board, the appointment of women directors on the board, and functions of the auditor company. Thus, in the Indian context, the Ministry of Finance and SEBI have played a pivotal role in all initiatives for better corporate governance. Currently, SEBI’s Listing obligations and disclosure requirements (LODR) are the rulebooks for the corporate governance of listed companies in India (Negi & Jain, 2022).

Corporate governance (CG) consists of two major components. The first component aims to create a sustainable and effective ecosystem of business ideas that encourage innovation, improve performance, facilitate changes within the organization, and foster competitiveness (Gulzar et al, 2023). Good corporate governance can minimize the problem areas for all interested parties. Transparency, accountability, reliance, responsibility, and fairness are all principles of corporate governance. It promotes information disclosure to all parties, reducing management misrepresentation to increase their wealth (Debbarma & Roy, 2023). This study attempted to examine the practices of corporate governance disclosures of Indian companies listed under BSE. To study the desired objectives, we have prepared a Corporate Governance index in compliance with the norms and regulations laid down by SEBI and Companies Act, 2013.

The remaining portion of the paper has been organised as follows: Section 2 presents the review of literature of the previous context and studies related to the present studies. In section 3, tells about the objective of the study. We have explained in detail about the systematic research methodology with detailed note on the Corporate Governance index framing structure in section 4. Section 5, presents the results of the study along with brief discussions, and lastly, conclusion of the study.

## **2. Literature Review:**

In the context of corporate governance disclosure practices Bhasin & Manama (2008) analyzed the Corporate governance disclosure practices of Reliance Industries Limited (RIL) for the financial year 2006-2007 by using the secondary sources- annual report of the company through case studies method. They have conducted the study based on statutory and non-mandatory requirements stipulated by the revised Clause 49 of the Listing Agreement, as also the provisions required by the Companies Act, 1956, and found that RIL group is at the forefront of the implementation of “best CG practices in India,” but some scope still exists for its improvement. It is worth mentioning here that RIL won the “Golden Peacock Global Award for Excellence in Corporate Governance” for the year 2008. Bhuiyan & Biswas (2007) have tried to examine the actual corporate governance practices in the 155 listed public limited companies by considering 45 disclosure items for the construction of the Corporate Governance Disclosure Index (CGDI), which has been computed and several hypotheses have been tested. They found the mean and standard deviation of CGDI to

be 56.04 and 17.20 respectively and significant differences have been found to exist among the CGDI of various sectors. The financial sector has been found to make more intensive corporate governance disclosure than the non-financial sector. In general, companies are more active in making financial disclosures rather than non-financial disclosures. Ezhilarasi & Kabra (2017) empirically investigated the impact of corporate governance attributes on companies' decision to disclose environmental information by using content analysis of annual reports of 177 most polluting companies in India from 2009–2010 to 2014–2015 by employing panel data regression model. They found that foreign institutional ownership is the most important corporate governance attribute that engages corporates in environmental disclosure behavior lastly, for better environmental disclosure, the Securities and Exchange Board of India (SEBI) should mandate all companies to disclose detailed monetary and non-monetary information on environmental issues in their companies' periodic report and also more emphasis should be given to strengthen the corporate governance attributes. Neogy (2024) tried to examine the relationship between CG mechanisms and CG disclosure levels using five listed conventional PCBs as a sample over a period spanning 2016 to 2020 by using multiple regression analysis. They concluded that there is a significant and insignificant association between CG mechanisms and the CG disclosure levels, but there is only a visible and significant difference in these areas between the sample banks and the results of the multiple regression analysis indicate that the log percentage of female directors does not significantly relate to the levels of CG disclosure. Lastly, the extent of CG disclosure is significantly associated with other variables, including board members, percentage of audit committee members, percentage of independent directors, log total assets, log total revenues, and log listing age. Pahi & Yadav (2019) investigated the nexus between corporate governance and dividend policy of listed Indian firms by using new corporate governance stipulations, and constructed an overall board governance index, for 482 non-financial and non-utility listed firms during 2006–2017. They found that the firms having stronger corporate governance tend to pay higher dividends suggesting that the firm's propensity to pay dividends increases with the improvement in corporate governance standards lastly, among the corporate governance indices board structure, audit committee, and disclosure norms show a significant and positive relationship, whereas compensation committee and nomination committee show a positive but insignificant relationship with dividend policy. Saha & Kabra (2022) tried to examine the influence of some prominent corporate governance (CG) mechanisms– by the top 100 non-financial and non-utility firms listed on the Bombay Stock Exchange as of 31st March 2014 through a panel data regression model. They found a significant negative influence of BI on VD while GD and RMC exhibit a significant positive influence on the same and the remaining CG mechanisms such as BS, RD, OC, ACI, and NRC appear to have no significant influence on VD. Lastly, none of the CG mechanisms under consideration influence human and intellectual capital disclosure. Saha (2024) examined the relationship between corporate governance (CG) voluntary disclosure (VD) and firm valuation (FV) and also investigated whether VD mediates the impact of CG on FV or not with a sample of 100 listed firms on the Bombay Stock Exchange (BSE) throughout 2014–2018 by constructing CG index and VD index (VDI) and adopting suitable panel data model. They found a significant positive impact of CG on FV, VD also exhibits a significant positive impact on FV and the interaction of CG and VD complements each other in making a positive contribution towards FV.

### **3. Objective:**

To rank the performance of BSE SENSEX 50 companies by the Corporate Governance Disclosure index.

### **4. Research Methodology:**

This research is a descriptive and analytical study aiming to rank BSE SENSEX 50 companies based on their compliance with corporate governance practices. The methodology is designed to ensure objectivity and replicability while reflecting the multidimensional nature of governance. The study will focus on the BSE SENSEX 50 companies as listed by the Bombay Stock Exchange as of the latest financial year (dated 31 March 2025). The study is dependent on the secondary data like Annual reports of companies, SEBI

disclosures and filings. For the purpose of the study, financial period from the year 2014-2015 to 2023-2024 has been considered as the period of the study.

### Construction of Board Corporate governance index (BCGI):

Based on the different guidelines and regulations related to board structure, audit committee, nomination committee, stakeholders relationship committee, Risk management committee, Disclosure quality committee as specified in SEBI's ( Listing obligations & disclosure requirements), 2015 and Companies Act 2013, about 40 major components are used to construct the overall Board Corporate Governance Index (BCGI).

Following the methodology of Pahi & Yadav (2019) as adopted from them, values on the scale of 0/1 have been used to construct Board Corporate Governance Index (BCGI). In the process, 40 dummy variables are used, based on 40 provisions are created. These 40 identified components are categorised under seven sub-groups, namely Board structure index (BINDEX), Audit committee index (AINDEX), Nomination and Remuneration Committee index (NRINDEX), Stakeholders relationship committee index (SINDEX), Corporate Social Responsibility Committee (CINDEX), Risk management committee (RINDEX), Disclosure quality committee index (DINDEX). A value of 1 is awarded if a firm satisfies a particular provision as stipulated or 0 otherwise. A particular governance standard is met or not by a firm is determined using the minimum standard stipulations provided in Clause 49 and Companies Act, 2013. Accordingly, the maximum possible score a firm *i* can achieve in a year *t* is 40 if it satisfies all the provisions. Finally, the formula have been constructed for the overall BCGI like Total score of the components of various index is divided 40 and then the result multiplied by 100 to get the value of the index. Finally, the formula has been constructed to find out the Corporate governance disclosure index score :

$$BCGI_{it} = \frac{1}{40} \sum_{k=1}^{40} (BCGIIND_{it}) \times 100$$

## 5. Result & Discussions:

**Table 1: Corporate Governance Disclosure Index**

COMPANY	Index Score	Rank
ITC	97.50	1
TCS	97.50	1
SHRIRAMFIN	97.50	1
ONGC	97.25	2
INFY	97.25	2
BRITANNIA	97.25	2
KOTAKBANK	96.75	3
BHARTIARTL	96.00	4
GRASIM	96.00	4
INDUSINDBK	96.00	4

BAJAJFINSV	96.00	4
TECHM	95.75	5
POWERGRID	95.75	5
SBIN	95.75	5
NESTLEIND	95.75	5
APOLLOHOSP	95.75	5
HEROMOTOCO	95.75	5
MARUTI	95.75	5
RELIANCE	95.50	6
DRREDDY	95.50	6
BAJAJ-AUTO	95.50	6
CIPLA	95.50	6
ULTRACEMCO	95.25	7
ICICIBANK	95.25	7
LTIM	95.25	7
SBILIFE	95.25	7
HINDALCO	95.00	8
NTPC	95.00	8
ASIANPAINT	95.00	8
TITAN	95.00	8
JSWSTEEL	95.00	8
HCLTECH	95.00	8
EICHERMOT	95.00	8
TATACONSUM	95.00	8
HINDUNILVR	95.00	8
TATASTEEL	95.00	8
HDFCBANK	95.00	8

LT	95.00	8
ADANI PORTS	95.00	8
SUN PHARMA	95.00	8
TATA MOTORS	94.75	9
WIPRO	94.75	9
HDFC LIFE	94.75	9
BPCL	94.50	10
COAL INDIA	94.00	11
ADANI ENT	93.75	12
BAJ FINANCE	93.75	12
DIVIS LAB	93.75	12
AXIS BANK	92.25	13
M&M	92.25	13

Source: Compiled by Author

From the table 1, The following dataset comprises of Corporate Governance index (maximum score 40) for BSE SENSEX 50 companies as listed by the Bombay Stock Exchange. The scores reflect each company's level of compliance with Corporate Governance standards.

The highest score among the 50 companies was 97.25 out of 100 maximum score, Six companies like ONGC, INFY, BRITANNIA, ITC, TCS, and SHRIRAMFIN have shown top performance . These companies demonstrate exemplary governance practices, possibly reflecting strong board structures, transparent disclosures, and well-functioning committees.

Majority of the companies i.e., total 28 companies who have scored less than the average score of 95.335. Companies like AXISBANK, M&M, ADANI ENT, BAJFINANCE, DIVISLAB, COALINDIA, BPCL, TATAMOTORS, WIPRO, HDFCLIFE, HINDALCO, NTPC, ASIANPAINT, TITAN, JSWSTEEL, HCLTECH, EICHERMOT, TATA CONSUM, HINDUNILVR, TATASTEEL, HDFCBANK, LT, ADANI PORTS, SUNPHARMA, ULTRACEMCO, ICICIBANK, LTIM and SBILIFE.

While still below the average, these scores may indicate areas of improvement such as committee effectiveness, stakeholder engagement, or disclosure quality.

### Sectoral analysis

- Technology (TCS, INFY, TECHM are above the score and WIPRO, HCLTECH are below the average score): maximum companies are maintaining high governance standards (mostly >95)
- Banking & Financial Services (HDFCBANK, ICICIBANK, AXISBANK, SBILIFE and BAJFINANCE scoring below average): Scores are consistently lower than the average score, which reflecting weak regulatory oversight and board practices.



- Consumer & Pharma (HINDUNILVR, NESTLEIND, SUNPHARMA have scored below average whereas ITC scored above the average score): they need to have more emphasis on disclosures and stakeholder relations.

### **Conclusion:**

Board committees are integral instruments of governance, each grounded in distinct theoretical frameworks that guide their structure and operations. The Audit Committee ensures financial oversight; the Nomination and Remuneration Committee enhances leadership and compensation governance; the Corporate Social responsibility Committee ensures the various activities related to CSR are being conducted by the company, the Stakeholders Relationship Committee protects investor interests; the Risk Management Committee safeguards enterprise value; and the Disclosure Quality Committee ensures transparency. Together, these committees embody the principles of accountability, integrity, and strategic oversight, forming the backbone of effective corporate governance.

The analysis reveals that BSE SENSEX 50 companies as listed by the Bombay Stock Exchange demonstrate strong adherence to corporate governance norms, with the majority scoring below 95.335. Companies like ONGC, INFOSYS, BRITANNIA, ITC, TCS and SHRIRAMFIN are benchmark performers in governance compliance and they scored above the average score. On the other hand, companies scoring below 95.335 such as TCS and COALINDIA, might benefit from enhancing board committee functioning, risk oversight, or disclosure quality.

Overall, the results reflect positively on the governance culture of India's top listed companies, suggesting a mature compliance environment. However, for sustained investor confidence and ethical business practices, continuous monitoring, independent audits, and proactive stakeholder engagement remain critical.

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