



The Impact Of Covid 19 On Corporate Governance : A Case Study Of Bajaj Finance Ltd

Shakeel Ahmad Mir Research scholar SOS in Economics, Jiwaji University Gwalior MP.

Mohd Ashraf Yattoo Research scholar school of commerce Devi Ahilya Vishwavidyalaya Indore MP.

Jagjeet singh PG student of Central University of Jammu.

Abstract

The Novel Corona virus has been bringing the world to numerous different dynamic elements. It gave us a lot of insightful lessons. Nearly all aspects of economic and human activity are impacted by the COVID-19. In India's corporate sectors, thousands of individuals have lost their jobs. However, it will have a significant influence in the current and next financial years. The Indian Corporate Sectors have been slightly impacted in the Financial Year 2020–21. It may also be visible in the corporate governance of the many Indian enterprises. Due to interruptions in meetings, dividends, liquidity, disclosure, capital allocation, risk management, and internal control, it carries inherent commercial risks that could have an impact on corporate operations. On the effect of COVID-19 in India, numerous studies have been conducted. The impact of COVID-19 on Bajaj Finance Ltd.'s corporate governance has not been the subject of any noteworthy study. On secondary data, the current study is built. A thoughtful technique was used to gather the secondary data. These were gathered from a variety of reputable websites, e-magazines, e-annual reports of businesses, and e-journals. Due to disruptions in meetings, administration, business continuity, dividend and liquidity management, disclosure, capital allocation, and maintenance, as well as risk management and internal control, the COVID-19 pandemic carries inherent commercial risks that could have an impact on business operations.

Keywords: Corporate governance, COVID-19, Business operations, Risk management, Internal control.

Introduction

The Novel Corona virus has been bringing the World numerous exciting changes. It gave us a lot of insightful lessons. Nearly all aspects of economic and human activity are impacted by the COVID-19. In India's corporate sectors, thousands of individuals have lost their jobs. However, it will have a significant influence in the current and next financial years. The

Indian Corporate Sectors have been slightly impacted in the Financial Year 2020–21. The effects of COVID-19 can also be seen in the corporate governance practices of the various Indian corporations. Due to disruptions in meetings, dividends, liquidity, disclosure, capital allocation, risk management, and other company processes, it carries inherent commercial risks. One significant impact of the virus is that boards will likely be expected by the law, corporate stakeholders, and public policy to respond in some fashion in a good-faith manner to how conditions have altered. Thus, boards will be required to assess the governance implications of pandemic-specific lessons and experiences and to enact reforms deemed necessary in light of the situation.

Review of Literature

Patel, D., and Patel, N (2020), The number of practical problems and risks encountered by corporations, as well as new relief measures, were explored in the paper "COVID-19 and Corporate Governance (India): Practical Issues, Implications, and New Relief Measures." The disruption of meetings, dividends, liquidity, disclosure, capital allocation, risk management, and internal control led them to the conclusion that COVID 19 carries inherent commercial risks that have an influence on business operations.

Peregrine, et al., (2020), researchers examined the pandemic's long-term effects on corporate governance in their report, "The Long-Term Impact of the Pandemic on Corporate Governance." The expectation that boards will periodically reevaluate their governance policies and processes in light of their specific facts and circumstances, they found, is the key corporate law concern at play post-pandemic.

Antwi, H.A. (2020), In the paper "Beyond COVID-19 Pandemic: A Systematic Review of the Role of Global Health in the Evolution and Practice of Corporate Social Responsibility," researchers examined the COVID-19's effects on CSR and came to the conclusion that it is more important than ever that businesses drastically overhaul their health and safety policies.

Alsayegh, et al., (2020)The "Corporate Economic, Environmental, and Social Sustainability Performance Transformation through ESG Disclosure" study (Corporate Economic, Environmental, and Social Sustainability Performance Transformation through ESG Disclosure) found that revealing how environmental and social strategies are implemented within an effective system of corporate governance in the organization improves corporate sustainability performance. They came to the conclusion that providing ESG information to all stakeholders is essential for gaining a competitive edge and improving company sustainability performance.

OECD (2020) A study on "COVID-19 and Responsible Business Conduct" was written, and the conclusion was that a responsible business conduct (RBC) approach to the COVID-19 calamity reaction would support the environmental, social, and other governance concerns laid forth in globally established RBC standards.

Objective

To study the impact of COVID-19 on the Corporate Governance of Bajaj Finance Ltd.

Data Analysis and Interpretation

1. Different Issues in Corporate Sector due to COVID-19

- **Meeting Postponements:** Different meetings have been postponed due to COVID19.
- **Virtual-Only Meetings:** Board of Director Meetings held in virtual mode.
- **Director Attendance:** count telephonic or e-participation as full participation

2. Compensation Issues

- Change in Metrics/Shift in Goals or Targets.
- Regarding long-term compensation plans.
- We are going forward.
- Option Repricing.

3. Steps were taken by India

Steps were taken by the Ministry of Corporate Affairs (MCA):

- The Ministry of Corporate Affairs (MCA) has encouraged companies to use the postal ballot or electronic voting process instead of holding general meetings, which require the members' physical presence at a corporate location, for all decisions of an urgent nature that require the approval of members, other than those related to routine business or where anyone has a right to be heard.
- The MCA has given listed companies (along with other companies that must provide e-voting facility) the option to hold an EGM via video-conferencing (VC) or other audiovisual means (OAVM) supplemented with e-Voting facility/simplified voting through registered emails, avoiding the need for the shareholders to physically congregate at a common location.

The aforementioned circular, along with the MCA circular dated April 13, 2020, also outlines the process for holding EGMs using VC or OAVM facilities, including the need for clear disclosure regarding how to access and participate in the meeting using two-way teleconferencing or Webex, among other things. Additionally, it states that major shareholders (those holding 2 percent or more of the company's shares), promoters, institutional investors, committee chairpersons, directors, KMPs, auditors, etc. are all permitted to engage in the VC or OAVM facility without any such restrictions.

Steps were taken by SEBI

As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR"), the top 100 listed entities by market capitalization have to hold their Annual General Meetings (AGM) within five months from date of closing of the financial year. Given the COVID-19 pandemic, SEBI has permitted these entities to delay their AGM by one month. Moreover, listed entities whose financial year ended on December 31, 2019, are allowed to conduct their AGMs till September 30, 2020.

Corporate Governance of Bajaj Finance

Fairness, accountability, adherence to principles, moral business conduct, and taking into account the interests of all stakeholders when conducting business are all promoted by corporate governance.

The corporate governance policies and procedures of Bajaj Finance Ltd. (the "Company" or "BFL") for FY2020 are provided below in accordance with the terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and modifications thereto (the "SEBI Listing Regulations"). This report certifies that the Company has complied with all applicable provisions of the Companies Act,

1. **Philosophy:** Corporate Governance reflects principles entrenched in our values and policies and embedded in our day-to-day business practices, leading to value-driven growth. The commitment of the Bajaj group to the highest standards of corporate governance practices predates the provisions of the SEBI Listing Regulations and clause 49 of the erstwhile Listing Agreement. Ethical dealings, transparency, fairness, disclosure, and accountability are the main thrust of the working of the Bajaj group. The Company maintains the same tradition and commitment.
2. **Board of Directors:** Keeping with the commitment to the principle of integrity and transparency in business operations for good corporate governance, the Company's policy is to have an appropriate blend of independent and non-independent directors to maintain the independence of the Board and to separate the Board functions of governance and management.
3. **Composition:** The Company has a non-executive Chairman. According to provisions of the SEBI Listing Regulations, if the non-executive chairman is a promoter, at least one half of the company's board should consist of independent directors. Nanoo Pamnani, Vice- Chairman and independent director, ceased to be a director of the Company with effect from 22 February 2020 consequent to his unfortunate demise. As of 31 March 2020, the Board of the Company consisted of twelve directors, of whom one was executive (Managing Director), seven were nonexecutive independent (including one woman independent director), and four were non-executive and non independent. The Board does not have any institutional nominee director. As Table 1 shows, the Company complies with the SEBI Listing Regulations. More details regarding the directors are mentioned in the Directors' Report.

4. **Review of Legal Compliance Reports:** The Board periodically reviews compliance reports concerning the various laws applicable to the Company, as prepared and placed before it by the Management.
5. **Code of Conduct:** The SEBI Listing Regulations requires listed companies to lay down a code of conduct for their directors and senior management, incorporating duties of directors as laid down in the Act.
6. **Independent Directors' Meeting:** The Ministry of Corporate Affairs vide General Circular no. 11 dated 24 March 2020 granted relaxation in compliance with holding the separate meeting of the independent director without the attendance of non-independent directors and members of the management for FY2019-20.

Environment, Social and Governance (ESG) Risk Ratings Analysis Bajaj Finance Limited

Total ESG risk score	Environment risk score	Social Risk Score	Governance Risk Score
29 54th percentile Medium	2.2	11.8	15.2

Source: <https://in.finance.yahoo.com/quote/BAJAJFINSV.NS/sustainability>

Industry Comparison: Industry Comparison of Bajaj Financial Limited

Companies	ESG Risk Rating	Industry Rank
Synchrony Financial	19.4 Low	103 out of 735
American Express Co.	19.8 Low	108 out of 735
Discover Financial Services	23.6 Medium	164 out of 735
Capital One Financial Corp.	23.1 Medium	157 out of 735
Bajaj Finance Ltd.	23.0 Medium	152 out of 735

Source: <https://www.sustainalytics.com/esg-rating/bajajfinance-ltd/1008759822>

From the above table, it is concluded that the ESG risk rating of Bajaj Finance Limited is Medium in comparison to other companies of the same category, Bajaj Finance limited is in a little bit of risk position as of January 2021 as compared to the same group of companies.

Conclusions

COVID-19 pandemic comes with inherent commercial risks impacting business operations due to disruptions to Meetings, Administration, Business Continuity, Dividend and Liquidity management, Disclosure, Capital Allocation, and Maintenance, and lastly, risk management and Internal Control.

References

13th Annual Report 2019-20, Bajaj Finserv, 2020. 33rd Annual Report 2019-20, Bajaj Finance Limited, 2020.

Alsayegh, Maha Faisal, et al. "Corporate Economic, Environmental, and Social Sustainability Performance Transformation through ESG Disclosure." *Sustainability*, vol. 12, no. 9, 2020.

"COVID-19: We'll Come out Stronger from this Situation, says Infosys CEO." *Business Insider*, 2020.

"COVID-19 and Responsible Business Conduct - Tackling COVID-19 Contributing to a Global Report." OECD, 2020.

Fernandes, Kasmin, and Hency Thacker. "Top 100 companies in India for CSR in 2020." *The CSR Journal*, 2020.

Impacts of COVID-19 on Annual Report Disclosures - A Guide for Directors, Preparers and Auditors. CPA Australia.

Impacts of the Covid-19 Pandemic - ISS Policy Guidance. ISS Global Policy Board, 2020. Jayaselvi, S. "COVID-19: An Overview of Economic Waves on Indian Economy." *Shanlax International Journal of Economics*, vol. 8, no. 3, 2020, pp. 114-119.

"In Fight against COVID-19, Infosys CEO urges Govt & Businesses to put up a United Front." *cio.eletsonline.com*, 2020.

Khetan, Sandip. *Early Impacts of the COVID-19 Pandemic on Indian Corporate Reporting*, 2020.

Patel, Divyesh, and Naresh K. Patel. *COVID-19 and Corporate Governance (India): Practical Issues, Implications and New Relief Measures*. 2020.

<https://forum.valuepickr.com/t/bajaj-financelimited/267/922>

<https://www.bajajfinserv.in/corporate-bajaj-finance>