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The Role Of Corporate Governance In Earrings Management In Public Listed Companies In India

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Abstract
This study investigates the role of corporate governance in mitigating earnings management practices among publicly listed companies in India. Earnings management, which involves manipulation of financial reports to mislead stakeholders, has been a significant concern in India, highlighted by cases such as the Satyam scandal. The research aims to assess how corporate governance mechanisms, including internal controls, can enhance financial transparency and reduce fraudulent reporting. Using a mixed-method approach with primary data from surveys and secondary literature, the study found that strong corporate governance and robust internal control systems play a vital role in limiting earnings manipulation and fostering investor confidence. While corporate governance was confirmed to significantly reduce earnings management, its relationship with financial leverage remains complex and less conclusive. The study recommends that Indian corporations strengthen their corporate governance frameworks and internal controls to uphold ethical standards and protect stakeholder interests.

Keywords: Corporate governance, earnings management, internal control systems, financial transparency, Satyam scandal, India, financial reporting, fraud prevention, stakeholder trust

Intrdouction
Project Background
The relationship that exists between a company's management and its stakeholders, including shareholders and the board of directors, makes corporate governance a crucial component of an organization's efficient operation. The rules and regulations that are part of corporate governance must be transparent. It is possible to argue that India is strong when it comes to corporate governance legislation, but it is weak when it comes to how these laws are enforced. As a result, this lax enforcement has affected the firms', corporations', and organizations' entire corporate governance. Many Indian corporations engage in the grave practice of earnings management.

This specific process can be considered as a fraud under which the companies attempt to manipulate their financial reports so that they can get the investors. The profits of the company are demonstrated to be positive which is otherwise in a downfall situation. This kind of activity falls under fraud and one such instance is the Satyam in India. The account books of the Satyam were audited by the Price Waterhouse, and it has been established that they have manipulated their accounts. The managers of different companies, firms and organizations perform this act of fraud primarily because they do not want to give correct information to the investors. They do so, to display the investors regarding their position below and the economic status of the firm, company or organization. They do their level best to exhibit their company as healthy as regards the overall financial situation. This wrong practice and needs urgent attention. The purpose of this particular study is to demonstrate how corporate governance affects earnings management in publicly traded Indian enterprises. The purpose of this particular project research is to determine whether any illegal or criminal activities are being carried out by Indian public listed corporations. However, in order to complete this particular project study, the Satyam scam case will be taken into consideration. Finding a way to stop the businesses' improper or unlawful practices would also be aided by this particular project study.

Project Objectives
This specific research study deals with the problem of the earnings management/earnings manipulation. This fraudulent activity is embraced by different firms, organizations and companies and hence it call for an immediate measure to provide a change in the overall system. Therefore the laws and regulations according to the corporate governance need to be followed in a systematic way and these also need to be implemented accordingly. The purpose of this specific research study is to assess and determine to which extent the corporate governance can be instrumental in facilitating an improvement in the financial statements of the company and reducing the earnings management/earnings manipulation activity. In order to prevent any illegal operations and the operations of fraud, it is required that the regulations and rules which are framed by the Indian government should be followed by the public listed companies in India strictly.

Importance of the Study
This specific project research would help in determining the role played by the corporate governance in earnings management. Through this research project it would be discovered that how the strategic instrument of the corporate governance can help in examining the overall financial performance of the companies in consideration of the corporate governance. The project study would also bring out all the underlying weak factors and the correlation that exists between the corporate governance and the overall financial performance of the companies would be assessed.

All this would be achieved with the assistance of the case of Satyam which would be considered while justifying this specific project study. This study is important because it would identify the root issues which are dominant in the public listed companies of India. Therefore this project study can be very helpful in order to reduce the impact and the risk of the earnings management/earnings manipulation.

Limitations of the Project Study
This particular project research has certain restrictions, which include the following: There is a time restriction, which means that a researcher is limited by it and must finish the research within a specific time frame. Since the project study is cross-sectional rather than longitudinal, it must be finished in a year. It may not be necessary for corporate governance's participation to actively lower risk and the impact of earnings management and manipulation management. Another limitation on conducting research is the money, which limits the researcher's ability to finish a project or research study.

Difference between Governance and Management
There is a distinction between the governance and the management in a firm, company or organization, according to Tricker (2012). There had been an increase in the emphasis on the management in the twentieth century era. But there had been a growing concern on the corporate governance in the twenty first century era. All the organizations, firms and companies of the contemporary period of the information technology and the globalization have adopted the corporate governance.

Tricker (2012) is also of the opinion that every single organization whether it is partnership based, whether it is small firm, whether it is large enterprise, whether it is a multinational firm or a joint venture, all require to adopt the governance as well as the management in their respective firms, small firms, large enterprises, multinational firms or joint ventures. So the relevance of the corporate governance in the contemporary age of the globalization and the information technology cannot be refuted. The authorized bodies who are liable for the governance in case of the companies are the board of directors. In case of the other company the governance can be the final responsibility of the court, the council or members or the directors of the said entity, firm, organization or company. The central underlying distinction is that the management is under the control of the controllers who are driving the company, firm or organization in a certain direction while the governance may be understood as the oversight of the authority and the accountability. That is the governance considers whether the authoritative entities are directing the firm, company or the organization in the correct direction or not.

Corporate Governance

According to Tricker (2012) the corporate governance is relevant to exercising the power in the corporate as suggested by the name itself. Corporate governance is present since the centuries and thus it could be regarded as an old concept with a new name.

In the 1980s, the term "corporate governance" was first used. Additionally, the level of research being done to examine the applicability of corporate governance has increased. According to Mallin (2007), the financial scandals that have started to intensify and expand, particularly in the current era of globalization and information technology, are the main reason why there is a greater attention on the topic of corporate governance. According to Baker & Anderson (2010), the significant decline in the wealth of many firms' owners in the twenty-first century was a major factor in the increased focus on the significance and applicability of corporate governance.

Therefore, it may be said that every and any corporation require the proper application of the corporate governance in order to function effectively and methodically. Fernando (2009) believes that corporate governance may be termed as the new issues which arise predominantly due to the detachment of the governance from the entire management. Fernado (2009) believes that according to the Market model, corporate governance illustrates how a firm would be able to address the problems that emerge due to the separation and the gap that is created between the management and the governance. But according to the control model the equity markets which can be considered none developed would symbolize the corporate governance. The Corporate Governance could be regarded as the combination of various laws, norms and contracts etc. Joshi (2004) is of the view that the due to the difference that exists in the comparison of the corporate governance systems this particular topic has taken the form of complexity.

Significance of the Corporate Governance

As per Mallin (2007) corporate governance have the role of increasing the overall financial performance of the company. It can be observed that the investors look for the overall financial situation and the financial well-being of the company.

Investor decision-making is expected to be influenced by the company's financial status and health. Therefore, corporate governance is crucial in addressing issues pertaining to fraud and unlawful activities that may arise within a company, organization, or firm. It is possible for a company, firm, or organization to fabricate the information contained in its annual reports because these documents contain information about the company's overall financial status and well-being. Particularly some large firms are involved in the fraud practices. Baker & Anderson (2010) believe that there are some issues which arise between the company's management and employees and subsequently influence the overall culture of any corporation, company or organization or firm.

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Governance Issues in India

As per Fernando (2009) there has been a growth witnessed in the economy of the India since it achieved independence in the year 1947. There has been a growth which could be seen in the quantity of the firms, companies, organizations and corporations in India. Although industries grew, as time passed, businesses, organizations, and corporations from various industries became victims of unethical issues and practices. Thus, even if corporate governance was effective, certain businesses, firms, and organizations adopted unethical activities; nonetheless, the implementation of corporate governance was subpar, which resulted in these issues. Numerous frauds have occurred in private corporations, highlighting issues with corporate governance. The corporate mismanagement of the Indian economy may be caused by a number of factors. For instance, the economy of the India had been viewed as the closed economy which was a reason of the rise in the problems. There had not been much competition in the setting and the very structure had also been considered ineffective which led to the increase in such illegal activities and problems.

Earnings Management

Giroux (2004) believes that with the progress which has been made in the world, the companies, firms, organizations and the corporations have begun certain unethical practices which is not in the interest of the shareholders. The shareholders have suffered a great loss in their wealth predominantly due to such matters. But there are tools which can help in identifying and determining the fraud underlying and the aspect of such activities. With the evolution and the computerization, the firms have become tainted. They falsify their accounts that help in enticing the investors. The investors of any given company are lured by the numbers which are reflected in the annual report of a company. The financial statements assist the investors in understanding the financial position and the financial performance of the firms. But if the firms manipulate the entire financial statements then the investors would have no idea whether the figures are real or fake.

Methodology

Research Model

The research onion model developed by Sanders, Lewis and Thorhill (2009) is the model used to complete this particular study. This research model is made up of multiple levels that show how the research study was completed in a methodical manner. Because it helps researchers complete a study in a methodical and simple way, the research onion model is frequently employed by researchers.

Research Philosophy

The first layer of the research onion model illustrates the several research philosophies that could be applied to conduct a study Saunders *et al,* (2009). The positivism and interpretivism research philosophies are the two most often applied of these concepts. The positivist research philosophy moves from broad to specific and is focused on testing the research premise. At the other extreme of positivism is the research philosophy of interpretivism. It is thought that the realism research philosophy selected for this specific project study is the result of combining the two research philosophies. The main reason the realism research philosophy was chosen for this particular project study is that it combines primary and secondary sources of information. As a result, it covers both qualitative investigation and the use of statistical tests.

Research Approach

According to Saunders et al. (2009), the inductive and deductive research approaches are the two most widely used research methodologies. The inductive method shifts from

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the specific to the general and is backed by the interpretivism research philosophy, whereas the deductive approach is the reverse and associated with positivism. This particular project study employs a mix method strategy, which combines the two research approaches. This specific research study uses data from both primary and secondary sources. Therefore, it appears that the mixed technique approach is the most suitable for finishing the investigation for this specific project.

Sources of Data and Method of Data Collection
Primary and secondary sources are the two sources from which data is gathered. Primary sources are information that the researcher first collects directly from the source, whereas secondary sources are information that already exists and is used by the researcher to finish a study. This research project has been completed using data from both primary and secondary sources. Books, papers, research journals, case studies, blogs and other materials must be consulted for secondary sources, and a questionnaire is created and constructed for the purpose of gathering data from primary sources for this project study. For this particular project study, a variety of theories and concepts would be used. Particularly useful for the literature review portion are the secondary sources of information that were obtained in order to complete this project study.

Survey and Sample Size
As previously said, a questionnaire has been created for the completion of this particular project study with consideration for the research hypothesis, goals, and general research concerns. For the purposes of this research study, students and staff members in the accounting department as well as those in the private sector would be the respondents targeted to be approached. The sample size chosen for this particular study is fifty. The questions on this particular questionnaire would be designed to support the project research as a whole and would be based on case studies. With the use of the prepared questionnaires, the respondents would be given them, and their answers would be recorded.

Time Frame
According to Saunders *et al.* (2009), the research onion model shows that a study can be longitudinal or cross-sectional. A longitudinal research study has a longer time span than a cross-sectional study, although a cross-sectional study must be completed within a certain time frame. Due to the cross-sectional nature of this particular research study, the project must be completed within the allotted time frame.

Research Hypothesis
In order to justify this particular research study, research hypotheses are necessary which are as follows:
H1: The manipulation of reported earnings by firms' management has been reduced in the public listed companies in India.
H2: The role of internal control system in helping to reduce the earnings management.
H3: The use of the principles of corporate governance is linked to growth in the leverage of a company.
A rationale to these specific research hypotheses would aid in the conclusion of the entire research study.

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Below is the diagram for the variables of this particular research study.

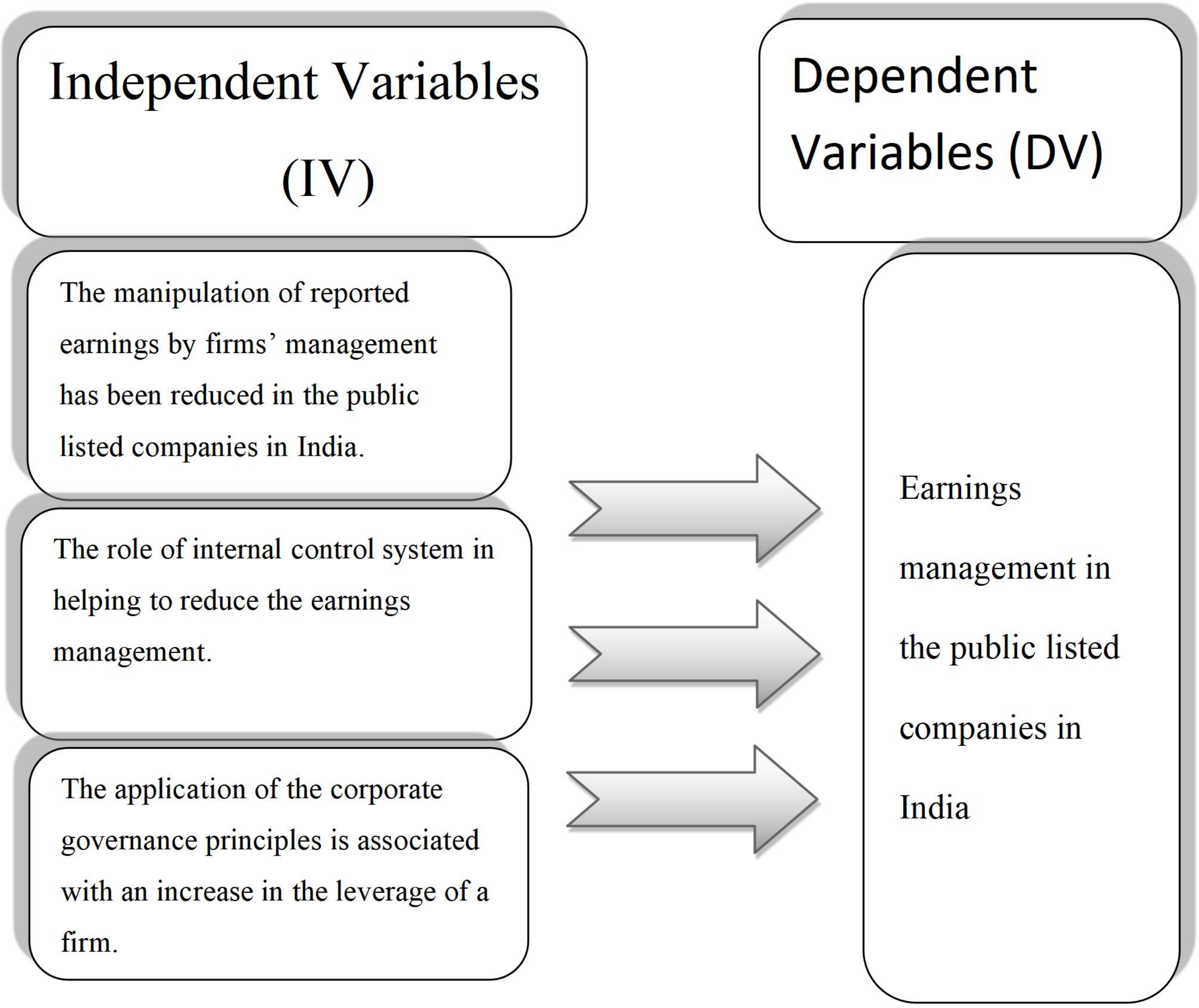

Figure 2 : Variables Table

Method of Data Analysis

The correlation analysis is the statistical test chosen to verify the research hypotheses developed for the completion of this particular research investigation. While content analysis would be used for the open-ended questions to support the research study, correlation analysis would be used to validate the closed-ended questions. The SPSS 17 program was utilized as the statistical tool for this particular research project.

Ethical Limitations

Completing this specific project study requires adherence to the ethical requirements. Respondents who are approached to complete this project study will be given the opportunity to keep their answers private because it is intended just for academic reasons and should not be used for any other purpose. Information privacy is essential. The reference to the second-hand source of information used to complete this project research will be given in order to prevent plagiarism.

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Results And Findings

Introduction

This study aims to investigate in detail the relationship between corporate governance and earnings management in publicly traded Indian companies. To finish this particular study endeavor, a survey questionnaire has been developed. A sample size of 60 was chosen for this particular study, and the response rate is as follows:

Table 1

Total	**60**
Received	56
Rejected	5
Qualified	55
Rate	91.6%

According to the above table, 60 people were approached; however, only 56 of them took part, and of those, 55 completed the entire questionnaire; the other five responses were only partially completed, so these incomplete questionnaires were rejected. Thus the response rate for this project is 91.6%. Google Forms software is being used in order to obtain the responses. This software is preferred over any other software mainly because the data entry as well as the data analysis is very easy for the researcher. Not only that, it also provide the statistical analysis which makes the researcher easier to analyze it and not time consuming as well. All the questions have been analyzed separately with the help of the graphs. This particular chapter represents the result as well as the findings of the questionnaires.

Analysis of Questionnaire's Data

The following statistics will provide information on the questionnaire's results, which are divided into two sections: Part A asks questions about demographics, and Part B asks questions about knowledge of corporate governance in earnings management.

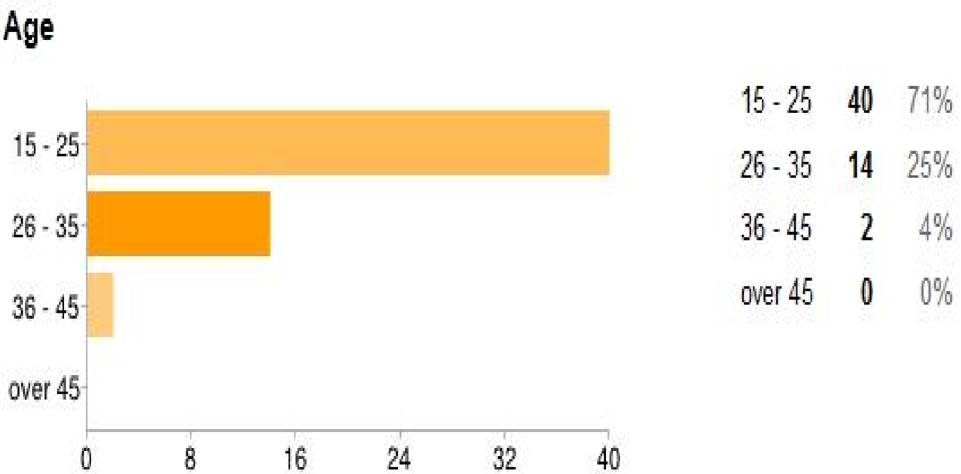

Figure 3

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Part A

The following data will show the graphs and tables of the demographic information for this research study. The graph above shows that, of the 55 responses, 35 were men and the remaining 20 were women. The male respondents' percentage is 64%, while the female respondents' percentage is 36%. There are more male employees in the organization, as evidenced by the fact that male respondents participated at a higher rate than female respondents. As a result, the findings of this study would be more from a male perspective than a female one.

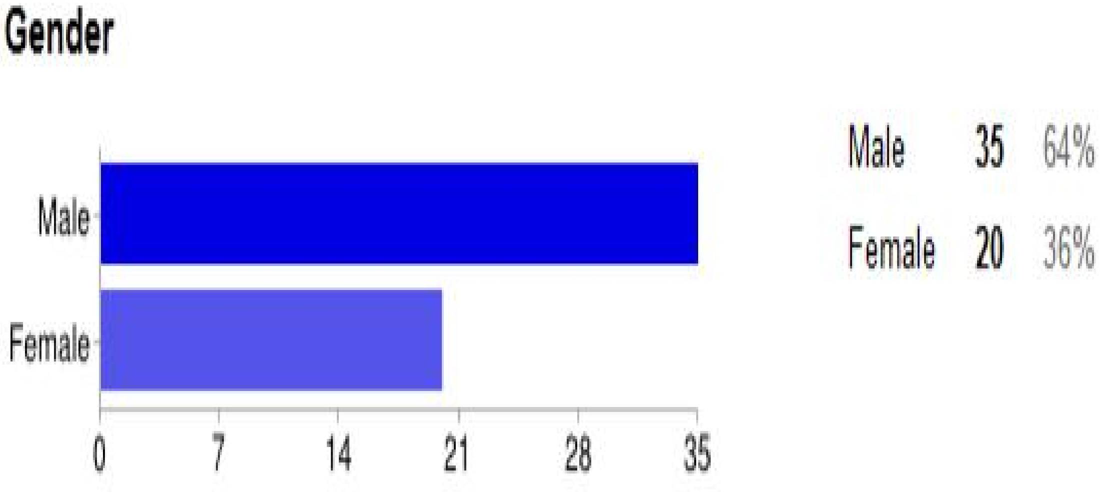

Figure 4

The majority of the research study's respondents, or 71%, are displayed in Graph 2. 25% of the respondents in this research study were between the ages of 26 and 35, 4% were between the ages of 36 and 45, and the rest of respondents were between the ages of 15 and 25. Since it reveals the respondents' level of awareness of the function corporate governance plays in managing earnings, it can be concluded that age group also important for gaining insight knowledge about the chosen topic.

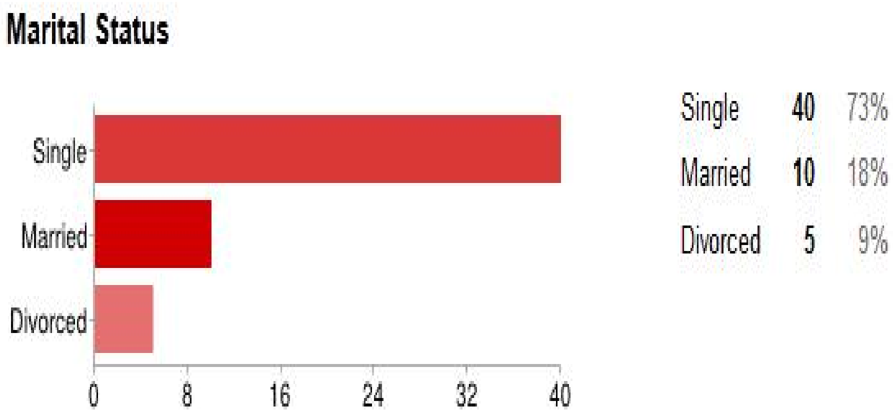

Figure 5

As we can see from the graph above, 40 respondents which is 73% of the respondents are single, whereas 10 respondents that shows 18% are married and the remaining 5 respondents are divorced. From this information, we can come to a conclusion that majority of the respondents working in the company are

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single which some of them are married and the minority are divorced.

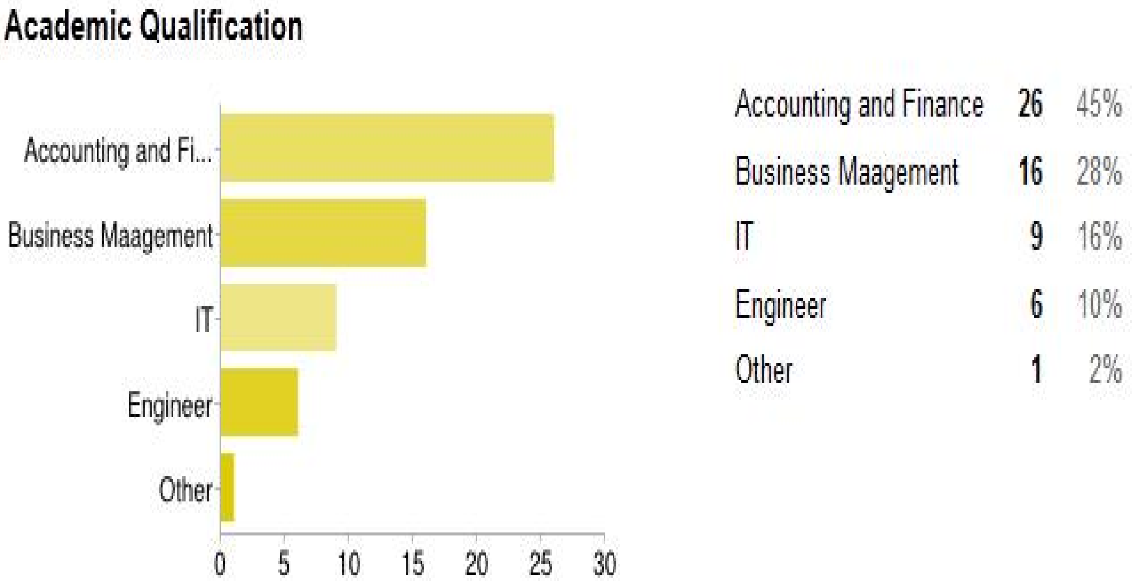

Figure 6

Out of the 56 returned questionnaires, most of the respondents, which is 45% of them, had studied accounting and finance while 28% which are 16 respondents were qualified in business management. 9 respondents which make up to 16% are from the Information Technology field; whereas 6 other respondents are from the engineer field. The chart above shows that there are a majority of workers working in the accounting and finance field while others are from business management, IT, engineers etc which depicts that they will have more information regarding the corporate governance of the company.

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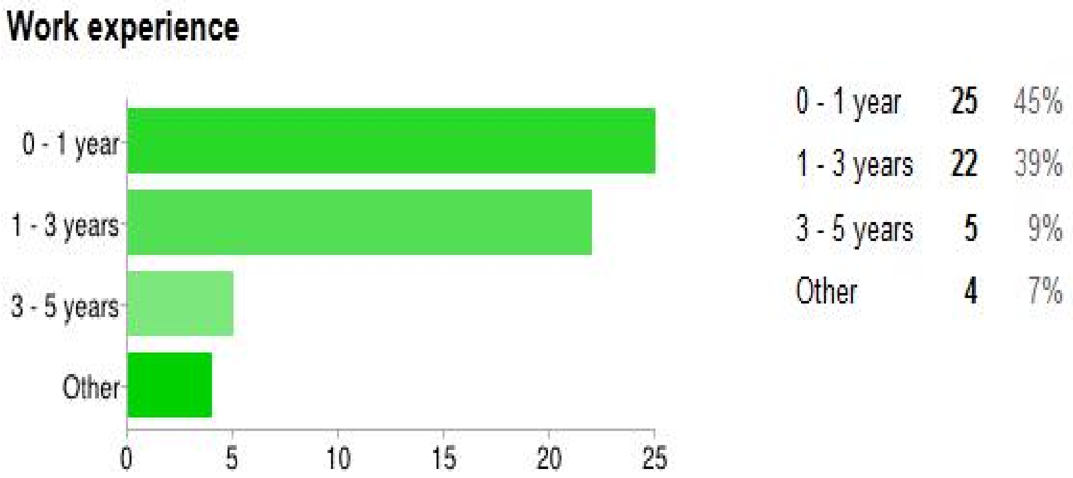

Figure 7

According to the above table, 47 respondents, or 84% of the total sample size, have 0–3 years of work experience. The remaining five responders, however, have three to five years of job experience. The minority has more than five years of experience. This indicates that the majority of respondents have less professional expertise, which may result in less relevant data being assessed.

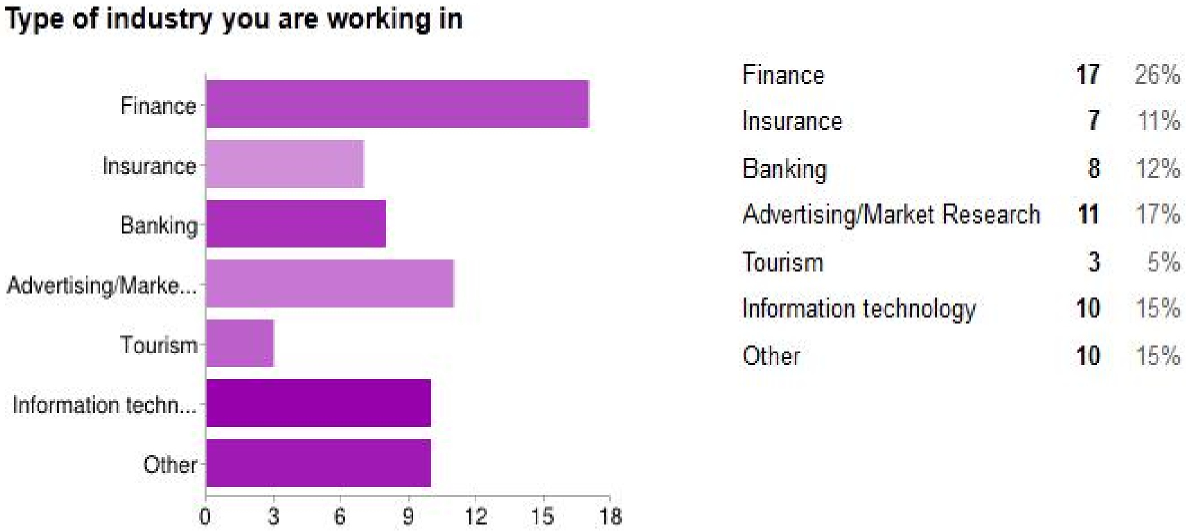

Figure 8

From this research, we can see that many workers are working in different industries. The respondents of this questionnaire are mostly working under the finance department which shows a percentage of 26% out of the total 100%. Following the finance department, 17% are from the advertising and market research department. 15% are from the information technology, 11% and 12% are coming from the insurance and banking while the respondents who works under tourism are 5% which is equivalent to only 3 respondents. Other respondents which are working under entertainment, telecom etc makes up to 15% out the total output of the questionnaire. Based on the information provided above, we can conclude that a large number of people from various industries are being contacted to

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complete this specific questionnaire, which can aid in gaining a broader understanding of the research issue.

Part B

The graphs and tables of every question pertaining to the comprehension of corporate governance in earnings management for this research study are displayed in the information data below.

Question 1

Do you think Corporate Governance has a vital role in dealing with the performance of a firm?

As can be shown from the graph below, 98% of respondents indicated that they agreed with the question, while the remaining 2% responded negatively. Thus, it could be claimed that the vast majority of respondents held the opinion that corporate governance had an impact on the company's performance. It demonstrates how corporate governance has a significant impact on how well business' function.

Table 2 : Role of corporate governance in dealing with the firm's performance

Measure	Options	No of respondents	Percentage (%)
Role of corporate governance in dealing with the firm's performance	Yes	54	98%
	No	1	2%
	Total	**55**	**100%**

Source : Data collected from questionnaires.

Further it is presented in the diagram below:

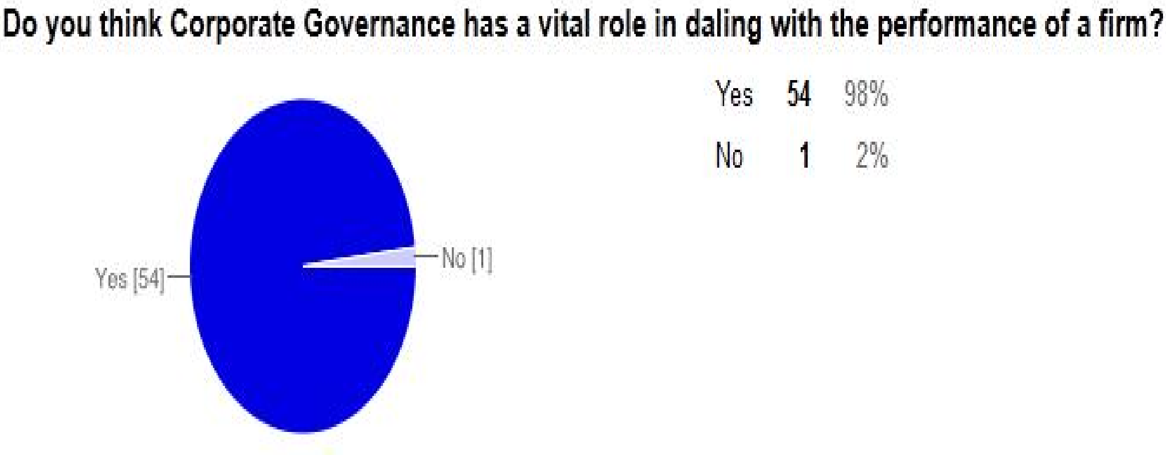

Figure 9: Role of Corporate Governance in Dealing with the Firm's Performance

Question

Do you think Corporate Governance influence earnings management/ earnings manipulation of firm?

Out of the 55 returned questionnaires, a majority of 82% agreed that corporate governance do influence the earnings manipulations of any company or firms while the other 18% disagreed with this. Thus it can be assumed that the role of corporate governance do influence the earnings manipulation of public

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listed companies in India because with a strong implementation of corporate governance, the amount of manipulation in the company can be reduced.

Table 3 : Influences of corporate governance in earnings manipulation of firm

Measure	Options	No of respondents	Percentage (%)
Influences of corporate governance in earnings manipulation of firm	Yes	45	82%
	No	10	18%
	Total	**55**	**100%**

Source : Data collected from questionnaires.

Further it is presented in the diagram below:

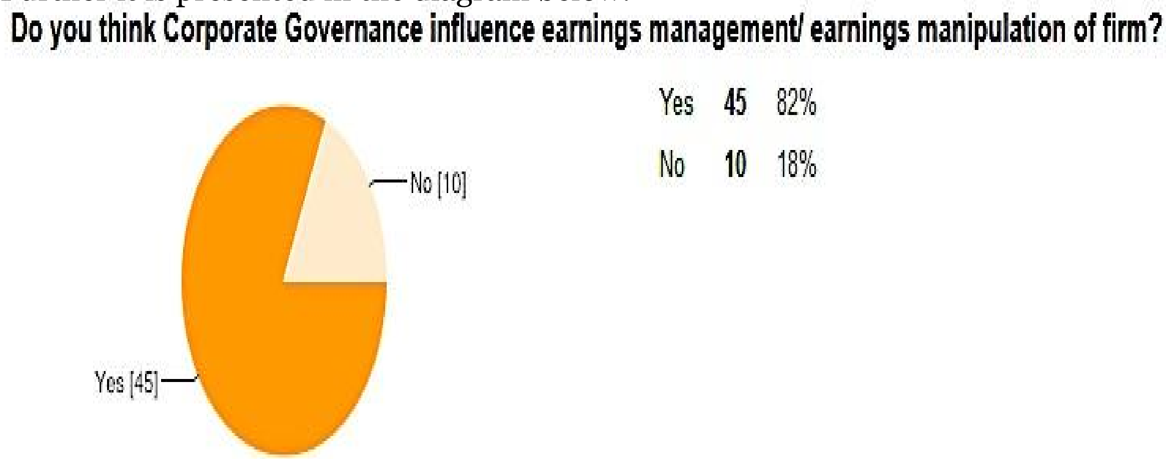

Figure 10: Influences of Corporate Governance in Earnings Manipulation of Firm

Question 3

Does internal control system helps to reduce earnings management in a firm?

The responses from this question were, 42 of the respondents agree to it while 13 respondents which made up to 24% disagreed with it. This is because according to the respondents who agreed on it, internal control system does help in reducing the earnings management because a good internal management will not allow any misleading in the financial information or any manipulation in the financial records thus it will help in reducing the fraud that could take place in the firm. For the other 13 respondents who disagreed with it, according to them internal control is not the only factor that can reduce the earnings management in a firm. There are many other important factors that can be considered.

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Table 4 : Internal Control System Helps To Reduce Earnings Management In a Firm

Measure	Options	No of respondents	Percentage (%)
Internal control system helps to reduce earnings management in a firm	Yes	42	76%
	No	13	24%
	Total	**55**	**100%**

Source : Data collected from questionnaires.
Further it is presented in the diagram below:

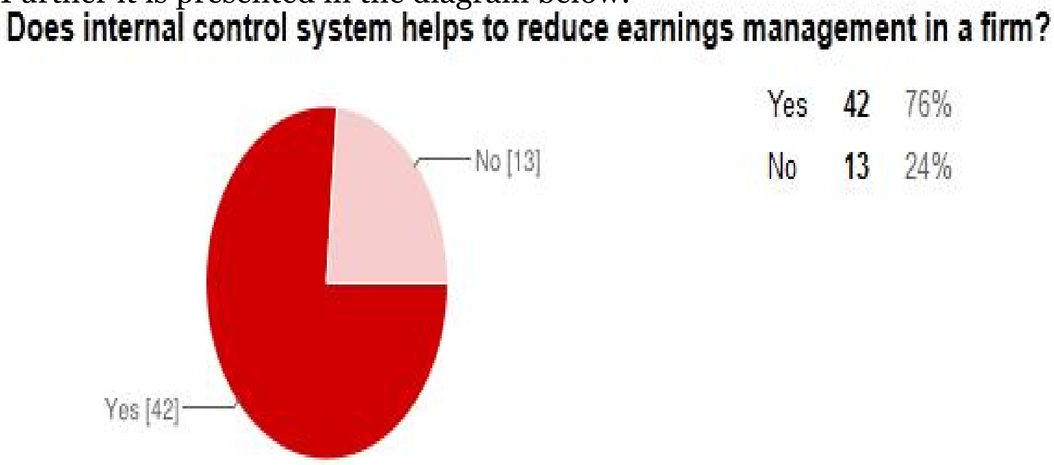

Figure 11: Internal Control System Helps To Reduce Earnings Management In a Firm

Question 4

How far do you think that the corporate governance determines the executives' compensation in a firm?

45% of the respondents agreed to this statement to a large extent which makes it 25 numbers of respondents and another 25 respondents agreed to this in some extent that the corporate governance determines the executives' compensation in firms; whereas, minority of the respondents which are only 5 do not agree at all. It could therefore be said that respondents have been of the view point that the corporate governance does play an integral role for the betterment of the organization. As this particular question and question 2 had also been in favor of the corporate governance.

Table 5 : Determination Of Corporate Governance In The Executives' Compensation Of a Firm

Measure	Options	No of respondents	Percentage (%)
Determination of corporate governance in the executives'	To a large extent	25	45%
	To somewhat extent	25	45%

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compensation of a firm	Not at all	5	9%
	Total	**55**	**100%**

Source : Data collected from questionnaires.
Further it is presented in the diagram below:

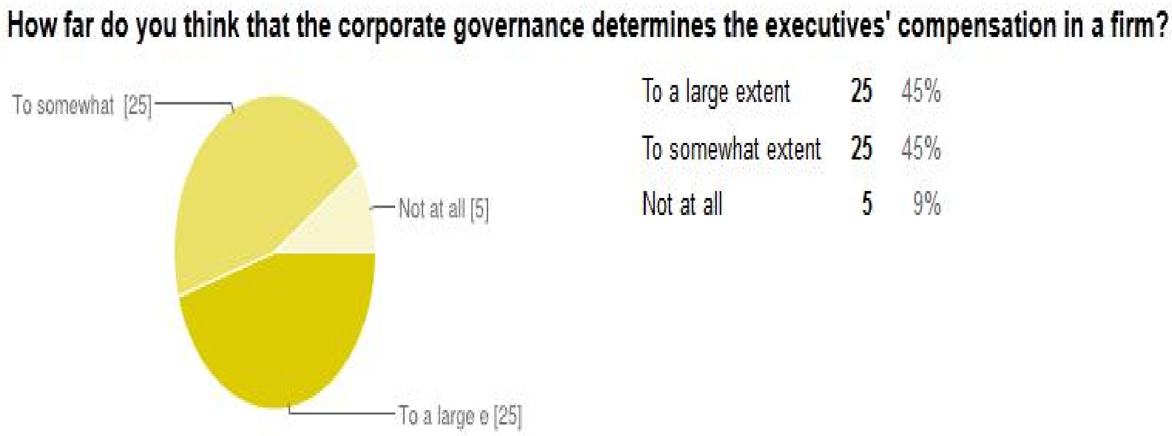

Figure 12: Determinations Of Corporate Governance In The Executives' Compensation Of a Firm

Question 5
Do you think that Corporate Governance is an effective tool for the firm?

By looking at the responses from the respondents, it could clearly be seen that majority of the respondents that is 91% which consist of 50 people have been of the view that corporate governance is an effective tool for the firms; whereas, the remaining 9% which are of 5 respondents have given a negative response for this particular question that has been asked to them for the purpose of this particular research study.

Table 6 : Corporate Governance As An Effective Tool For The Firm

Measure	**Options**	**No of respondents**	**Percentage (%)**
Corporate Governance as an effective tool for the firm	Yes	50	91%
	No	5	9%
	Total	**55**	**100%**

Source : Data collected from questionnaires.

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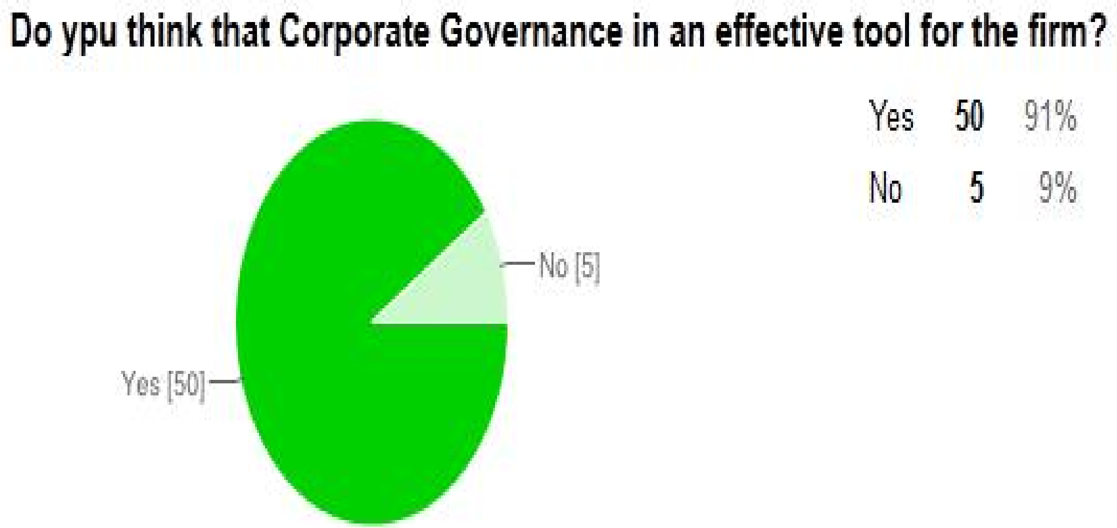

Figure 13: Corporate Governance As An Effective Tool For The Firm

Question 6

"Good corporate governance plays a vital role in minimizing the earnings management in the company" Do you agree with this statement?

Out of the 55 returned responses, 36% of the responses are strongly agreed that good corporate governance plays a vital role in minimizing the earnings management in the company while 36% just agreed; 18% of the total responses neutral and the remaining 5% which is 3 people disagreed that good corporate governance plays a vital role in minimizing the earnings management in the company. Thus, only 2 of the respondents have chosen the option as strongly agree.

Table 7 : Good Corporate Governance Plays a Vital Role In Minimizing The Earnings Management In The Company

Measure	**Options**	**No of respondents**	**Percentage (%)**
Good corporate governance plays a vital role in minimizing the earnings management in the company	Strongly agree	20	36%
	Agree	20	36%
	Neutral	10	18%
	Disagree	3	5%
	Strongly disagree	2	4%
	Total	**55**	**100%**

Source : Data collected from questionnaires

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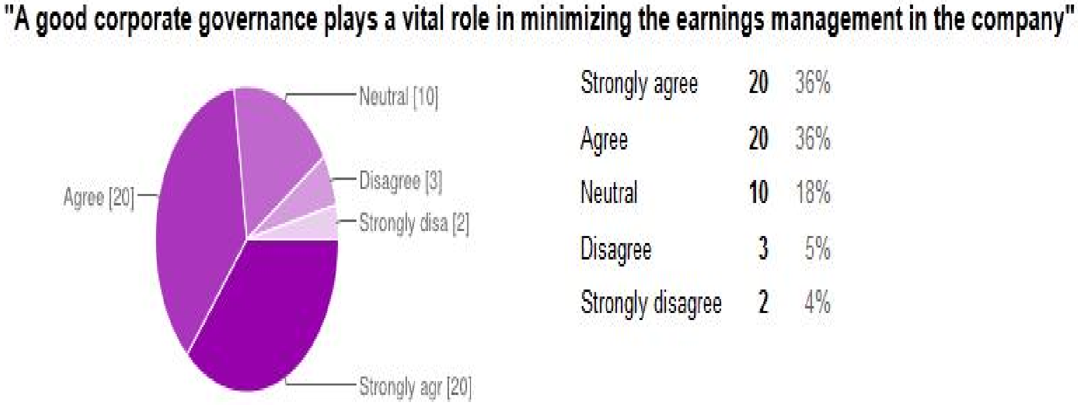

Figure 14: Good Corporate Governance Plays a Vital Role In Minimizing The Earnings Management In The Company.

Question 7

"A good corporate structure can ensure the transparency of the organization" Do you agree with this statement?

The responses of this question is out of the 55 returned responses, 42% of the responses are strongly agreed that good corporate governance structure can ensure the transparency of the organization while 40% just agreed; 15% of the total responses neutral and the remaining 4% which is 2 people disagreed that good corporate governance plays a vital role in minimizing the earnings management in the company. Thus, none of the respondents have chosen the option as strongly agree.

Table 8 : Good Corporate Structure Can Ensure The Transparency Of The Organization

Measure	**Options**	**No of respondents**	**Percentage (%)**
Good corporate structure can ensure the transparency of the organization	Strongly agree	23	42%
	Agree	22	40%
	Neutral	8	15%
	Disagree	2	4%
	Strongly disagree	0	0%
	Total	**55**	**100%**

Source : Data collected from questionnaires.

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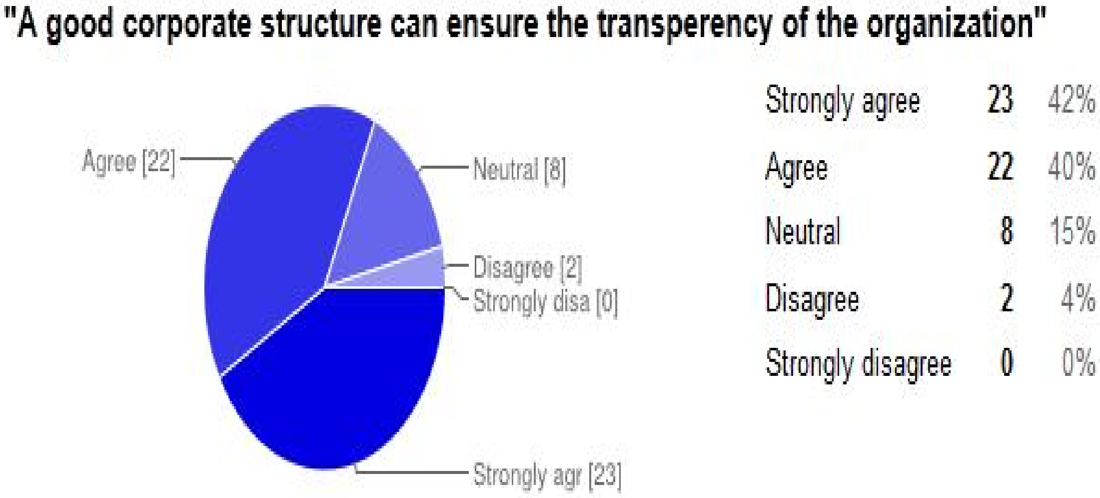

Figure 15: a Good Corporate Structure Can Ensure The Transparency Of The Organization

Question 8

Which of the following, in your opinion, has the greatest influence on management's decision to commit financial fraud?

Looking at the response from the respondents, it shows that 33% thinks that to obtain additional financing contributes the highest influence to commit a financial fraud while 29% thinks that it is because of the threat of bankruptcy. Following by 16%, the respondents think that tight competition may be one of the factors. 15% opted for the third party transaction while the other 7% opted for different reasons such as corruption rate, etc. This shows that there are various factors that can be considered in order to commit a financial fraud by the management in any company or firms.

This information is presented in the table below:

Table 9 : Factors That Contribute The Highest Influence To Commit a Financial Fraud By The Management

Measure	**Options**	**No of respondents**	**Percentage (%)**
Factors that contribute the highest influence to commit a financial fraud by the management	Threat of bankruptcy	16	29%
	To obtain additional financing	18	33%
	Tight competition	9	16%
	Third party transaction	8	15%
	Others	4	7%
	Total	**55**	**100%**

Source : Data collected from questionnaires.

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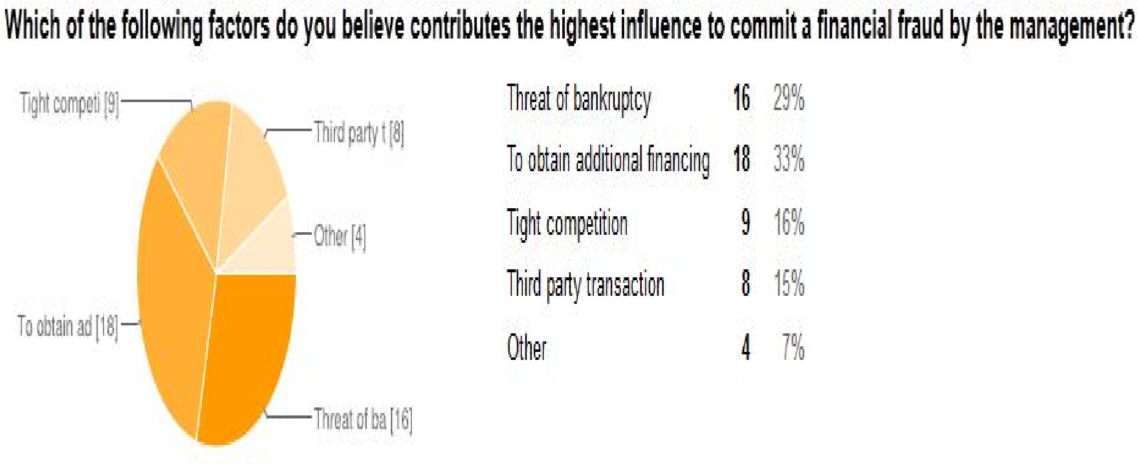

Figure 16: Factors That Contribute The Highest Influence To Commit a Financial Fraud By The Management.

Question 9

As a staff working under the accounts department, you believe prevention of financial statement fraud is?

The majority of the respondents which is of 71% say that it is very important to prevent any financial fraud in the company and is followed by 20% who says that the prevention of financial fraud is somewhat important to some extent. The remaining 5% and 4% state that it is not very important to prevent the financial fraud. We can come to a conclusion that majority of the workers working under the accounts department agree and in favor in order to prevent the financial fraud by the company because ultimately it is not a good thing for the investors.

Table 10 : Prevention Of Fraud In Financial Statement

Measure	**Options**	**No of respondents**	**Percentage (%)**
Prevention of fraud in financial statement	Very important	39	71%
	Somewhat important	11	20%
	Not very important	3	5%
	Not important at all	2	4%
	Total	**55**	**100%**

Source : Data collected from questionnaires.

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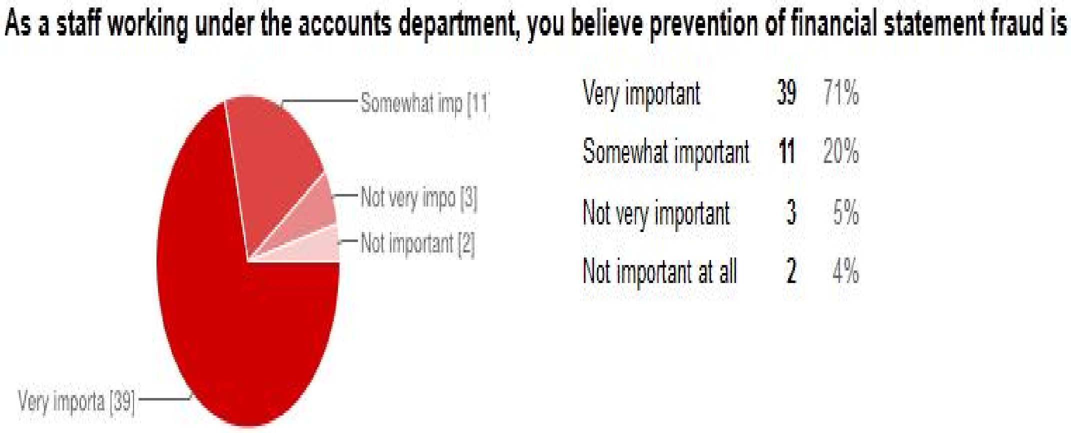

Figure 17: Prevention Of Fraud In Financial Statement

Question 10

"When the financial statements have significance amounts of debts with negative figures, this would make it appear unfavorable for its users." Do you agree that you should disclose both long term liabilities as well as contingent liabilities in your financial statements?

Under this question, we can see obvious answers by the respondents. 78% of the respondents agree with the statement above while the remaining 22% of the respondents did not agree in disclosing the long term liabilities as well as contingent liabilities in the financial statement. The answer depicts that the responses said yes because according to them it would be fair for the investors to know how much liabilities do the company have and therefore there would not be any misstatement in the financial reports which may lead to a bigger problem. For the respondents that disagree to this, they may have their own reasons regarding this.

Table 11 : Disclosure Of Long Term As Well As Contingent Liabilities In The Financial Statements.

Measure	**Options**	**No of respondents**	**Percentage (%)**
Disclosure of long term as well as contingent liabilities in the financial statements.	Yes	43	78%
	No	12	22%
	Total	**55**	**100%**

Source : Data collected from questionnaires.

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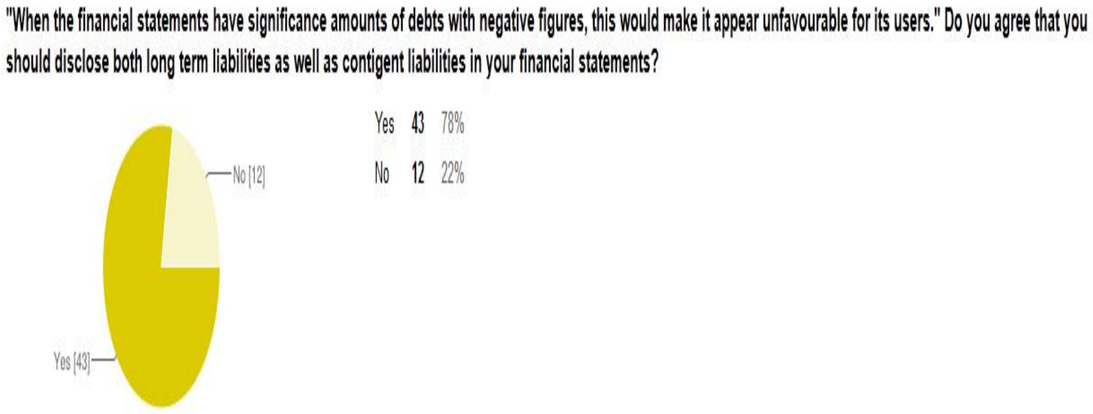

Figure 18: Disclosure Of Long Term And Contingent Liabilities In The Financial Statements.

Findings Of The Analysis

General Analysis

This chapter provides a further analysis of the study's findings. Based on the data presented earlier, it is evident that respondents generally support the notion that corporate governance plays a significant role in controlling earnings management in publicly listed companies. The problem statement of this research highlighted the impact of corporate governance on reducing earnings manipulation, which the findings confirm. Another issue addressed was whether leverage influences earnings management and which factors most contribute to financial fraud; the data also shed light on this.

Corporate governance can directly or indirectly influence a firm's performance and thereby affect the degree of earnings manipulation. As discussed in the literature review, proper implementation of corporate governance practices can help limit earnings manipulation. In addition, an effective internal control system within the firm supports this goal and strengthens financial transparency.

Hypothesis Analysis

Three hypotheses were tested in this study:

H1: Corporate governance reduces earnings manipulation in publicly listed companies in India.

H2: Internal control systems help reduce earnings management.

H3: The application of corporate governance principles is associated with an increase in firm leverage.

H1 was supported by the findings, with a majority of respondents agreeing that corporate governance limits the manipulation of reported earnings. Survey data showed that 72% of participants agreed corporate governance reduces earnings manipulation. Authors such as Peterson & Fabozzi (1999), Giroux (2004), and Joshi (2004) similarly argue that strong governance practices improve transparency and protect investor interests, reducing the risk of data misrepresentation.

H2 was also accepted, as 76% of respondents confirmed that internal control systems help curb earnings manipulation. According to the literature, internal controls, typically housed within a firm's audit function, enhance accuracy and accountability in financial reporting (Albrecht et al., 2010). The data support that strong internal controls promote organizational transparency and reduce the scope for misleading financial practices.

H3 had mixed results. About 53% of respondents believed corporate governance could be associated with increased leverage, while 47% disagreed, arguing that other factors may influence leverage beyond governance practices. Therefore, this hypothesis could not be definitively accepted or rejected. This finding suggests that the relationship between corporate governance and leverage is complex and subject to different interpretations.

Overall, these hypotheses align with the research objectives and problem statements. The results demonstrate that corporate governance and robust internal control systems are vital in limiting earnings management and promoting financial transparency in public companies in India. The study supports the view that corporate governance, if properly implemented, is an essential mechanism to protect investor confidence and uphold the integrity of financial reporting.

Conclusion

Lastly, in this chapter, it could be concluded from the result of all these discussions and findings that are presented in the prior chapters of this research study that the respondents have provided their responses in support of the corporate governance; thus, it could be proved or mentioned that there is a significant role of corporate governance plays in reducing as well as minimizing the earnings management in the companies in India. The financial decisions of the company are influenced by corporate governance because, if it is done in a proper manner, there would be fewer in terms of number of financial frauds or misrepresentation of the financial reports. There are numerous methods in order to minimize the frauds which dominate the company and it is required to take steps in this context. It has been elaborated in the last chapter as well that corporate governance is a constituent tool which might change as well as assist the overall functioning of the company by minimizing the chances of earnings manipulation in the firm either in a favorable or unfavorable manner. The project aims have been given in the earlier chapters of this study that the findings achieved for fulfilling this research study and the findings that have already been accumulated by the earlier researchers which have been discussed in the literature review are consistent with one another. Hence, the primary research agrees with the secondary research of the project.

Recommendations

Following a thorough analysis, it is advised that all businesses, particularly those in India, adopt or utilize corporate governance since it has an impact on a company's ability to manipulate or control its earnings. They should emphasis more on the corporate governance in the firm as they have adopted the unethical practices like the case of Satyam. This is because the implementation of corporate governance had been weaker which resulted in such issues. There could be many more reasons of the corporate miss-governance which could be observed in the economy of India. Other than emphasizing more on the corporate governance, the company should put a restriction and increase the internal control system inside the company in order to prevent any miss-leading in the financial statement which later could be harmful for the company itself. This all should be done for the betterment of the company or organization.

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