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## E-Corporate Governance for Long Term Sustainability: An Empirical Evaluation of Shareholders' Perspective

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### ABSTRACT

The phenomenal endeavours undertaken by Ministry of Corporate Affairs like MCA 21 and green initiatives coupled with provisions on electronic voting and acceptance of use of technology in other areas of regulations under Companies Act 2013 have paved the way for electronic corporate governance. This paper attempts to analyze the opinion of shareholders on electronic delivery of documents, electronic voting and, electronic general meetings. Specifically, for electronic delivery of documents, its impact on environment has come out to be insignificant, while level of ease and comfort associated with it and its impact on cost reduction have come out to be the significant variables impacting the opinion of shareholders in favour of electronic mode. For electronic voting, level of ease, no risk of security and no issue of e-votes being less informed have turned out to be the significant variables for the shareholders. For electronic general meetings, their impact on cost reduction and no higher risk of conflicts have been found to be the significant variables influencing the shareholders. Based on qualitative analysis, it has been found that food, vouchers and gifts are the only agenda for the shareholders in the Annual General Meetings. It has been discovered that spreading awareness is quintessential for all the three initiatives. 83.6% of the shareholders themselves have agreed that educating shareholders about various concepts of electronic interface is the need of the hour.

### Introduction

The study encompasses two areas which have earned large scale discourses worldwide – corporate governance and its extension – electronic corporate governance. Corporate governance is

about having multiple persons with different set of duties to oversee the functioning and management of the company on behalf of all the shareholders and other stakeholders. The term electronic corporate governance signifies the utilization of electronic means in the exercising of corporate governance. (Beuthel, 2006)

There are three broad domains through which shareholders get a direct role in overseeing and questioning the working and operations of the company which are – communication with shareholders by sending annual reports and other documents as mandated by law; right to vote on the resolutions in general meetings for taking important decisions and; right to provide

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inputs to and question the board and the management by attending the general meetings. For the purpose of this study, emphasis is laid on the use of technology in these areas. Sending the reports and documents electronically to the shareholders, casting the votes on the resolutions through remote e-voting and attending the general meetings through electronic means are the three pillars around which the study is centered. What level of adoption exists among the shareholders for the electronic mode? Which factors influence a shareholder to decide whether to participate electronically or physically? These are some of the prime questions to which answers will be sought through this study.

### **Need for the Study**

It is indispensable to escalate the degree of participation and activism of the retail shareholders in governing the companies which currently is unsubstantial. In order to improve the situation, the need of the hour is to leverage technology to increase the threshold of acceptable level of corporate governance in the country. In India, use of technology in corporate governance has already featured mechanization in the several rules and regulations governing Indian companies. However, the shareholders are not making the most of it. Thence the rationale behind this study is to provide a comprehensive analysis of the opinion of shareholders on various such available electronic mechanisms and to analyze the factors which impact the shareholders to electronically pursue their duties so as to make them constructively effectual from indifferently dormant.

### **Objective of the Study**

The present study has been undertaken to analyze the opinion of the shareholders on electronic delivery of documents, electronic voting and, electronic general meetings.

### **Literature Review**

This segment explores the review of already existing literature in respect of three electronic initiatives, viz. electronic delivery of documents, electronic voting, and electronic meetings.

### **Electronic Delivery of Documents**

Brimer (2006) contends that if reports are delivered electronically, then it can be ensured that they are delivered well in time and will be effectively used in making decisions. Through the Internet, small shareholders get an easy access to all the documents and news that are required to be in public domain as going to the office of registrars for small stakes is though necessary but is rarely chosen by retail shareholders (Cross 2004). Reynolds (2000) agrees that e-communication is not only speedy, easy and convenient but also provides numerous creative options to deliver data and information. Beuthel (2006) suggests that one huge aspect to be taken care of is the security concern. Company before going online has to ensure that notices are sent to invite only legitimate members and that only those members participate electronically.

Juma (2010) stated that Kenya Airways announced that it would communicate only a summarized form of annual report in paper form and full-fledged annual report would be available electronically. Chritchley (2000) highlighted that Independent Investors Communication Corp (IICC), a subsidiary of Automated Data Processing Inc. found out that electronic delivery would save \$8 on every delivery.

**Electronic voting:** It is inexpensive and convenient for foreign investors. Shareholders can be motivated easily to vote electronically, but it is harder for old shareholders because of age factor and resistance to change. It shall be ensured that no unauthorized person could get in anywhere in the entire procedure, systems do not break down while voting, for decision would get void and prove to be unsatisfactory. An IT expert would have to be appointed for ensuring the authenticity of participants. However, splitting of votes is easier with modern technology. (Beuthel 2006), Loncke & Jos (2004) explains that online voting might lead to larger turnout as members who stay at far off places or who are ill or physically challenged could also cast their votes. It is not only convenient to cast the vote electronically, but processing the votes and preparing the result also become easier. Online voting has to be structured in a way that it is protected from viruses, hackers and cyber terrorism. For this purpose, various levels of security could be designed. Birch, Cockshott & Benaud (2014) puts across that voting through text messages is even cheaper. Mahoney D. M. (2001) suggests that electronic shareholder communication is highly likely to lead to increased efficiency and reduced costs. Baston & Ritchie (2004) rejected electronic voting as a 'sticking plaster' solution and refused to accept the idea that electronic voting increases voter participation. Establishment of strong network is a pre-requisite to successfully adopt electronic voting. If any technical mistake comes up, it could have the potential to destroy the entire process carried so far. Also, adequate safeguards will be required to ensure that nobody misuses the opportunity to distort or influence casting or counting of votes to the prejudice of anyone. Sinha (2014) describes that e-voting in companies is very desirable because of the speed, accuracy, easy accessibility and wide participation it brings with itself, but something else also comes with it, i.e. risk of hacking and manipulation which in turn needs secured platforms, certified procedures and vigilant supervision. One criticism is that voting card and link to annual report and other communication is sent via e-mail and shareholder is expected to go through the reports before casting the vote, but of reluctance and resistance, shareholder anyway casts the vote without going through any material, while if shareholder would be present in person, then he obviously would cast an informed vote. Moreover, in Germany, only 29% companies found that e-voting has only marginally increased voter turnout. (Brimer 2006).

**Electronic meetings:** Bostrom, Anson & Clawson (1992) set forth that meeting is defined as a goal or outcome directed interaction between two or more people (teams, groups) that can take place in any of four environments (same time/same place, same time/different place, different time/same place and

different time/different place). Amey & Mozley (2012) presented that the Council of Institutional Investors (CII) in 2010 came out with a policy that online general meetings should be allowed to complement and not substitute physical general meetings. There are two ways of using technology for conducting the meetings. Firstly, an approach where along with date and time, a physical place is chosen with an option that members can participate either physically or electronically, called as hybrid meeting. Secondly, an approach where no physical place is chosen for the meeting and everybody has to have electronic presence, called as virtual meeting. For successful implementation of these ideas, regulatory bodies and law governing the companies need to draft the corporate governance rules keeping in the mind the new mode of modern technology (Cross 2004). Jessup & Valacich (1992) contributed that productivity, access to participants, turnout, and ability to monitor and intervene, etc. are some of the factors to be borne in mind while deciding the mode of meeting. Beuthel (2006) proposed that challenge to be addressed in an e-meeting is its vulnerability to chaos if shareholders put up too many arguments and comments. Solution could be to set a minimum percent of holding to have a right to free speech or minimum number of years of association with the company. Virtual meetings could be conducted once law provides for it and security levels and internet networks are protected. After that, company can arrange a provision of creating shareholder id and password on its website; which after logging in will provide details of links to detailed procedures and description of preferred networks and systems, link to join the live AGM, icons to post the questions during the meeting and cast the final vote at the end, supported with planned demos already uploaded for the entire process and webcast of complete meeting for reasonable time period for control and decision making. In Germany, from 1998-2005, number of shareholders got increased by around 60% and shareholders' presence in general meetings fell down by 25%. Reasons analyzed were dispersed shareholding, immobility of foreign investors, small shareholders' lack of belief in making a change and their unwillingness to spend time and money. In Germany and Switzerland, more than 60% of shareholders agreed to be present in general meetings and voting if electronic option is given. Remp (1974) reported that chance of conflicts in an e-meeting is high because of inadequate turns with a person to speak. The results showed that the percentage of electronic participants agreeing to chairman's effectiveness was 18% lesser than percentage of face-to-face participants.

### Research Methodology

This study is a survey based research. Both primary and secondary data have been used for the study. For primary data collection, the study relied on both quantitative and qualitative analyses. One questionnaire for shareholders was designed for the study. In pilot testing, responses were gathered from 34

shareholders. Final questionnaires were sent to 250 shareholders. Complete responses were received from only 208 shareholders from June, 2015 to June, 2017. Telephonic and face-to-face interviews were also conducted with 7 shareholders. Along with the primary data, secondary data including various books and articles on corporate governance was also reviewed.

**Reliability analysis:** For the survey, Cronbach's Alpha coefficient has been found to be higher than 0.7 (Burns and Burns 2008). Validity of the questionnaire, i.e., checking that they measure what they claim to measure, has been ensured by the development of statements on the basis of review of literature and interviews of the experienced retail shareholders.

**Hypotheses of the study:** Following are the hypotheses of the study:

H<sub>01</sub>: The choice of mode for delivery of documents, for voting on resolutions and for attending general meetings is symmetric across genders and for different categories of years of investment experience.

H<sub>02</sub>: There is no significant role of the level of comfort with electronic delivery, impact of electronic delivery on environment, ease of use associated with electronic delivery and impact of electronic delivery in reducing costs on the preference of shareholders for electronic delivery.

H<sub>03</sub>: Contribution of electronic initiatives to good governance, ease of use associated with electronic voting, belief of no risk of security in e-voting and belief in no issue of e-votes being less-informed do not contribute significantly to the preference of shareholders for electronic voting.

H<sub>04</sub>: Contribution of electronic initiatives to good governance, belief in no higher risk of conflicts in e-meeting and impact of electronic meetings in reducing costs do not contribute significantly to the preference of shareholders for electronic meetings.

**Tools used:** For quantitative analysis, three tools have been applied using SPSS 21, namely, logistic regression, binomial test and frequency tables. For qualitative analysis, the tool of phenomenological analysis has been used.

**Data Analysis:** This section provides details about the factors influencing the perspective of shareholders towards electronic mode followed by the results of phenomenological analysis.

**Analysis of the shareholders' perspective on e-corporate governance:** Binomial test has been conducted to test whether there is any statistical difference between the choices for the two modes among the shareholders.

**Table-1: Binomial Test**

Choice of mode		Category	N	Observed Prop.	Test Prop.	Exact Sig. (2-tailed)
For delivery of documents	Group 1	Electronic Mode	160	.77	.50	.000*
	Group 2	Physical Mode	48	.23		
	Total		208	1.00		
For voting on resolutions	Group 1	Electronic Mode	180	.87	.50	.000*
	Group 2	Physical Mode	28	.13		
	Total		208	1.00		
For attending general meetings	Group 1	Electronic Mode	151	.73	.50	.000*
	Group 2	Physical Mode	57	.27		
	Total		208	1.00		

\*Significant at 1% level of significance

Source: SPSS Output

Table 1 shows that p value for all three initiatives is 0.000 which is less than .01; therefore, *the null hypotheses H<sub>01</sub>, stating that there is no difference in the choice of mode for delivery of documents, voting on resolutions and attending general meetings, is rejected.* Looking closely at the frequency table shows that electronic mode is preferred by most of the respondents.

**Model 1: Logistic regression for opinion of shareholders on electronic delivery of documents**

Opinion on electronic delivery of documents = f (gender, number of years of investment experience, impact of electronic delivery on environment, level of comfort with electronic delivery, ease of use associated with electronic delivery, impact of electronic delivery in reducing costs).

The assumptions of no multi-collinearity, normality, no heteroscedasticity, linearity, no outliers and no influential cases were checked and met. Nagelkerke R square came to be 0.539, hence, it can be said that model is moderately fitting the data.

**Table 2 Variables in the Equation**

Variables		B	Bootstrap			95% C.I. for EXP(B)		
			Bias	Std. Error	Sig. (2-tailed)	Exp(B)	Lower	Upper
Step 1	Gender(1)	-.115	-.070	1.020	.870	.892	.223	3.560
	Yrs_Inv(1)	-1.305	-.010	1.172	.091***	.271	.061	1.206
	Yrs_Inv(2)	-1.449	-.095	.837	.022**	.235	.066	.832
	Edel_cmfrt	.749	.117	.483	.028**	2.116	1.062	4.215
	Edel_ease	1.799	.361	.622	.001*	6.046	2.356	15.515
	EDel_CR	.935	.118	.570	.027**	2.547	1.049	6.185
	Edel_envt	-.531	-.099	.610	.239	.588	.236	1.468
	Constant	-8.255	-1.482	3.526	.002	.000		

\*Significant at 1% level of significance

\*\*Significant at 5% level of significance

\*\*\* Significant at 10% level of significance

Source: SPSS Output

Table 2 shows that one variable is significant at 1% level of significance, three variables are significant at 5% level of significance and one variable is significant at 10% level of significance. Gender and impact of electronic delivery on environment are statistically insignificant.

*Ease of use associated with electronic delivery:* B = 1.799; Exp (B) (odds ratio) = 6.046; p = .001 < .01 with 95% confidence interval of [2.356, 15.515]. If agreeableness on ease of use associated with electronic delivery increases by 1 point on Likert scale; shareholders are 6.046 times more likely to opt for electronic mode over physical mode. Confidence interval does not include 1, thus, there exists a positive relationship between high level of ease of use with electronic delivery and preference for electronic mode. Therefore, *the null hypothesis H<sub>02</sub>, stating that there is no significant role of ease of use associated with electronic delivery on the preference of shareholders for electronic delivery, is rejected.*

*Second category of number of years of investment experience (5-10 years):* B = -1.035; Exp (B) (odds ratio) = .271; p = .091 < .10 and with 95% confidence interval of [.061, 1.206]. As years of investment experience increase from base category (less than 5 years) to second category (5-10 years), odds in favour of physical mode over electronic mode are 1/.271 = 3.69, i.e. shareholders with 5-10 years of experience are 3.69 times more likely to choose physical mode over electronic mode for receiving communication from the companies. Therefore, *the null hypothesis H<sub>01</sub>, stating that the choice of mode for delivery of documents is symmetric for different categories of years of investment experience, is rejected.* Confidence interval includes 1, thus, researcher cannot be sure of negative relationship between higher number of years of investment experience and preference for electronic mode.

Third category of number of years of investment experience (11-20 years):  $B = -1.449$ ;  $\text{Exp}(B)$  (odds ratio) = .235;  $p = .022 < .05$  with a 95% confidence interval of [.066, .832]. As years of investment experience increase from base category (less than 5 years) to third category (11-20 years), odds in favour of physical mode over electronic mode are  $1/.235 = 4.26$ , i.e. shareholders with 11-20 years of experience are 4.26 times more likely to choose physical mode over electronic mode for receiving communication from the companies. Confidence interval does not include 1, thus there exists negative relationship between higher number of years of investment experience and preference for electronic mode. Therefore, the null hypothesis  $H_{01}$ , stating that the choice of mode for delivery of documents is symmetric for different categories of years of investment experience, is rejected.

Level of comfort with electronic delivery:  $B = .749$ ;  $\text{Exp}(B)$  (odds ratio) = 2.116;  $p = .028 < .05$  with 95% confidence interval of [1.062, 4.215]. If agreeableness on level of comfort with electronic delivery increases by 1 point on Likert scale; shareholders are 2.116 times more likely to opt for electronic mode over physical mode. In other words, if agreeableness on level of comfort with electronic delivery decreases by 1 point on Likert scale; shareholders are 2.116 times less likely to opt for electronic mode over physical mode. Confidence interval does not include 1, thus, there exists positive relationship between high level of comfort with electronic delivery and preference for electronic mode. Therefore, the null hypothesis

$H_{02}$ , stating that there is no significant role of level of comfort with electronic delivery on the preference of shareholders for electronic delivery, is rejected.

Impact of electronic delivery in reducing costs:  $B = .935$ ;  $\text{Exp}(B)$  (odds ratio) = 2.547;  $p = .027 < .05$  with 95% confidence interval of [1.049, 6.185]. If agreeableness on impact of electronic delivery in reducing costs increases by 1 point on Likert scale; shareholders are 2.547 times more likely to opt for electronic mode over physical mode. Confidence interval does not include 1, thus, there exists positive relationship between impact of electronic delivery in reducing costs and preference for electronic mode. Therefore, the null hypothesis  $H_{02}$ , stating that there is no significant role of impact of electronic delivery in reducing costs on the preference of shareholders for electronic delivery, is rejected.

**Model 2: Logistic regression for opinion of shareholders on electronic voting**

Opinion on electronic voting =  $f$  (gender, number of years of investment experience, contribution of electronic initiatives to good governance, ease of use associated with electronic voting, no risk of security in e-voting, no issue of e-votes being less-informed) The assumptions of no multi-collinearity, normality, no heteroscedasticity, linearity, no outliers and no influential cases were checked and met. Nagelkerke R square came to be 0.811, hence, it can be said that model is moderately fitting the data.

**Table-3: Variables in the Equation**

	B	Bootstrap			95% C.I. for EXP(B)			
		Bias	Std. Error	Sig. (2-tailed)	Exp(B)	Lower	Upper	
Step 1	Yrs_Inv(1)	-4.611	-70.566 <sup>b</sup>	353.321 <sup>b</sup>	.001*	.010	.000	.424
	Yrs_Inv(2)	-1.704	-29.466 <sup>b</sup>	156.648 <sup>b</sup>	.077***	.182	.014	2.447
	Evot_info_full	3.062	56.122 <sup>b</sup>	207.795 <sup>b</sup>	.001*	36.687	3.953	340.512
	Evot_ease	3.140	55.663 <sup>b</sup>	311.114 <sup>b</sup>	.002*	23.115	2.246	237.871
	Evot_nosec_issue	2.249	25.679 <sup>b</sup>	185.158 <sup>b</sup>	.022**	9.477	1.214	73.987
	Eini_GdG	-.410	-17.399 <sup>b</sup>	105.037 <sup>b</sup>	.572	.664	.079	5.589
	Gender(1)	.224	2.052 <sup>b</sup>	72.513 <sup>b</sup>	.611	1.251	.143	10.910
Constant	-22.09	-305.49	1617.274 <sup>b</sup>	.002	.000			

\*Significant at 1% level of significance \*\*Significant at 5% level of significance

\*\*\* Significant at 10% level of significance

Table 3 shows that three variables are significant at 1% level of significance, one variable is significant at 5% level of significance and one variable is significant at 10% level of significance. Gender and contribution of electronic initiatives to good governance are statistically insignificant.

Second category of number of years of investment experience (5-10 years):  $B = -4.611$ ;  $\text{Exp}(B)$  (odds ratio) = .010;  $p = .001 < .01$  with 95% confidence interval of [.000, .424]. As years of investment experience increase from base category (less than 5 years) to second category (5-10 years), odds in favour of physical mode over electronic mode are  $1/.010 = 100$ , i.e. shareholders with 5-10 years of experience are

100 times more likely to choose physical mode over electronic mode for casting votes on resolutions. Confidence interval does not include 1, thus, there exists negative relationship between higher number of years of investment experience and preference for electronic mode. Therefore, the null hypothesis  $H_{01}$ , stating that the choice of mode for voting on resolutions is symmetric for different categories of years of investment experience, is rejected.

Third category of number of years of investment experience (11-20 years):  $B = -1.704$ ;  $\text{Exp}(B)$  (odds ratio) = .182;  $p = .077 < .10$  with 95% confidence interval of [.014, 2.447]. As years of investment experience increase from base category (less than

5 years) to third category (11-20 years), odds in favour of physical mode over electronic mode are  $1/.182 = 5.49$ , i.e. shareholders with 11-20 years of experience are 5.49 times more likely to choose physical mode over electronic mode for casting votes on resolutions. Therefore, *the null hypothesis H<sub>01</sub>, stating that the choice of mode for voting on resolutions is symmetric for different categories of years of investment experience, is rejected.* Confidence interval includes 1, thus, researcher cannot be sure of negative relationship between higher number of years of investment experience and preference for electronic mode.

*No issue of e-votes being less-informed:* B = 3.602; Exp (B) (odds ratio) = 36.687; p = .001 < .01 with 95% confidence interval of [3.953, 340.512]. If agreeableness on no issue of e-votes being less-informed increases by 1 point on Likert scale; shareholders are 36.687 times more likely to opt for electronic mode over physical mode. In other words, if agreeableness on no issue of e-votes being less-informed decreases by 1 point on Likert scale; shareholders are 36.687 times less likely to opt for electronic mode over physical mode. Confidence interval does not include 1, thus, there exists positive relationship between high agreeability on no issue of e-votes being less-informed and preference for electronic mode to cast the vote electronically. Therefore, *the null hypothesis H<sub>03</sub>, stating that belief in no issue of e-votes being less-informed does not contribute significantly to the preference of shareholders for electronic voting, is rejected.*

*Ease of use associated with electronic voting:* B = 3.140; Exp (B) (odds ratio) = 23.115; p = .002 < .01 with 95% confidence interval of [2.246, 237.871]. If agreeableness on ease of use associated with electronic voting increases by 1 point on Likert scale; shareholders are 23.115 times more likely to opt for electronic mode over physical mode. Confidence

interval does not include 1, thus, there exists positive relationship between high level of ease of use with electronic voting and preference for electronic mode. Therefore, *the null hypothesis H<sub>03</sub>, stating that role of ease of use associated with electronic voting does not contribute significantly to the preference of shareholders for electronic voting, is rejected.*

*No risk of security in e-voting:* B = .2249; Exp (B) (odds ratio) = 9.447; p = .022 < .05 with 95% confidence interval of [1.214, 73.987]. If agreeableness on no risk of security in e-voting increases by 1 point on Likert scale; shareholders are 9.447 times more likely to opt for electronic mode over physical mode. In other words, if agreeableness on no risk of security in e-voting decreases by 1 point on Likert scale; shareholders are 9.447 times less likely to opt for electronic mode over physical mode. Confidence interval does not include 1, thus, there exists positive relationship between no risk of security in e-voting and preference for electronic mode. Therefore, *the null hypothesis H<sub>03</sub>, stating that belief of no risk of security in e-voting does not contribute significantly to the preference of shareholders for electronic voting, is rejected.*

**Model 3: Logistic regression for opinion of shareholders on electronic general meetings**

Opinion on electronic general meeting = f (gender, number of years of investment experience, contribution of electronic initiatives to good governance, no higher risk of conflicts in e-meetings, impact of electronic meeting in reducing costs).

The assumptions of no multi-collinearity, normality, no heteroscedasticity, linearity, no outliers and no influential cases were checked and met. Nagelkerke R square came to be 0.462, hence, it can be said that model is moderately fitting the data.

**Table-4: Variables in the Equation**

Variables	B	Bootstrap				95% C.I. for EXP(B)		
		Bias	Std. Error	Sig. (2-tailed)	Exp(B)	Lower	Upper	
Step 1	CR_Gmeeting	.615	.057	.299	.009*	1.850	1.148	2.980
	Eini_GdG	.817	.126	.538	.065***	2.263	.941	5.443
	Emeet_nocnflct	1.342	.157	.418	.001*	3.826	2.023	7.239
	Gender(1)	.488	.021	.661	.395	1.630	.520	5.102
	Yrs_Inv(1)	-.957	-.012	1.151	.218	.384	.095	1.549
	Yrs_Inv(2)	-1.122	-.145	.662	.048**	.326	.098	1.077
	Constant	-8.700	-1.081	3.141	.001	.000		

\*Significant at 1% level of significance

\*\*\* Significant at 10% level of significance

\*\*Significant at 5% level of significance

Source: SPSS Output

Table 4 shows that two variables are significant at 1% level of significance, one variable is significant at 5% level of significance and one variable is significant at 10% level of significance. Gender and second category of years of investment experience are not statistically significant.

*Third category of number of years of investment experience (11-20 years):* B = -1.122; Exp (B) (odds ratio) = .326; p-value

= .048 < .05 with 95% confidence interval of [.098, 1.077]. As years of investment experience increase from base category (less than 5 years) to third category (11-20 years), odds in favour of physical mode over electronic mode are  $1/.326 = 3.067$ , i.e. shareholders with 11-20 years of experience are 3.076 times more likely to choose physical mode over electronic mode for attending meetings. Therefore, *the null hypothesis H<sub>01</sub>, stating that the choice of mode for attending the*

*general meetings is symmetric for different categories of years of investment experience, is rejected.* Confidence interval includes 1, thus, researcher cannot be sure of negative relationship between higher number of years of investment experience and preference for electronic mode.

*Impact of electronic meetings in reducing costs:*  $B = 0.615$ ;  $\text{Exp}(B)$  (odds ratio) = 1.850;  $p = .009 < .01$  with 95% confidence interval of [1.148, 2.980]. If agreeableness on impact of electronic meetings in reducing costs increases by 1 point on Likert scale; shareholders are 1.850 times more likely to opt for electronic mode over physical mode. Confidence interval does not include 1, thus, there exists positive relationship between high agreeability on impact of electronic meetings in reducing costs and preference for electronic mode to attend the meeting electronically. Therefore, *the null hypothesis  $H_{04}$ , stating that impact of electronic meetings in reducing costs does not contribute significantly to the preference of shareholders for electronic meetings, is rejected.*

*No higher risk of conflicts in e-meetings:*  $B = 1.342$ ;  $\text{Exp}(B)$  (odds ratio) = 3.826;  $p = .001 < .01$  with 95% confidence interval of [2.023, 7.239]. If agreeableness on no higher risk of conflicts in e-meetings increases by 1 point on Likert scale; shareholders are 3.826 times more likely to opt for electronic mode over physical mode. In other words, if agreeableness on no higher risk of conflicts in e-meetings decreases by 1 point on Likert scale; shareholders are 3.826 times less likely to opt for electronic mode over physical mode. Confidence interval does not include 1, thus, there exists positive relationship between no higher risk of conflicts in e-meetings and preference for electronic mode. Therefore, *the null hypothesis  $H_{04}$ , stating that belief in no higher risk of conflicts in e-meetings does not contribute significantly to the preference of shareholders for electronic meetings, is rejected.* *Contribution of electronic initiatives to good governance:*  $B = .817$ ;  $\text{Exp}(B)$  (odds ratio) = 2.263;  $p = .065 < .10$  with 95% confidence interval of [.941, 5.443]. If agreeableness on contribution of electronic initiatives to good governance increases by 1 point on Likert scale; shareholders are 2.263 times more likely to opt for electronic mode over physical mode for a meeting. Therefore, *the null hypothesis  $H_{04}$ , stating that contribution of electronic initiatives to good governance does not contribute significantly to the preference of shareholders for electronic meetings, is rejected.* Confidence interval includes 1, thus researcher cannot be sure of positive relationship between contribution of electronic initiatives to good governance and preference for electronic mode.

After analyzing all three models, it has been found that gender is insignificant in all three of them; shareholders with 11-20 years of investment experience (Yrs\_Inv(2)) prefer physical mode for delivery of documents; shareholders with 5-10 years of investment experience (Yrs\_Inv(1)) prefer physical mode for voting on resolutions; ease of use associated with electronic mode is driving the electronic transition for both delivery of documents and voting; and cost reduction is driving

the electronic transition for delivery of documents and meetings.

**Shareholders' opinion on different recommendations:** Shareholder respondents were asked to mark the extent to which they agree with the recommendation: Demos with subtitles in different languages shall be uploaded by companies on their respective websites for different new electronic procedures. 81.3% have agreed with the recommendation. 81.8% of them have agreed with the recommendation that toll free number shall also be provided by each company for asking questions during e-voting window and e-meetings as toll free numbers of NSDL/CDSL are hardly of any use. Respondents were asked to mark the extent to which they agree with the recommendation: Educating shareholders about various concepts of electronic interface is the need of the hour. 1% of them strongly disagreed and 83.6% of the respondents agreed with it.

### Results Based on Phenomenological Analysis

For the study, 7 shareholders were interviewed. Open-ended questions based on the theoretical footing of the study were asked from each interviewee. Based on phenomenological analysis, following four themes have been developed after analyzing the interviews of shareholders: Shareholder communication has become more or less easy but has led to a bit of confusion since 2006; Access to good speed internet is one of the hindrances for e-meetings; Food, gifts and vouchers are the only agenda in AGM for shareholders; Voting exercise can be made more meaningful.

### Findings and Implications

Following are the findings, interpretations and implications based on the responses of shareholders for each of the electronic initiatives.

#### *Electronic delivery of documents:*

To begin with, an attempt has been made to find out whether there is any difference in the preference between physical and electronic mode for receiving reports, documents, notices and other communication from the company. Binomial test has given the result that yes, difference does exist towards electronic mode. More than 70% of the shareholders have chosen electronic mode. Delving into the various factors behind it as studied in Model 1 through logistic regression, following are the findings and implications.

No difference in the choice of mode has been found based on gender. There is no difference in choice between the two modes for shareholders having up to 10 years of investment experience. However, shareholders with 11-20 years of investment experience prefer physical mode around 4.3 times more than the electronic mode for delivery of documents as compared to the shareholders with less than 5 years of experience. This implies that older shareholders are more comfortable with the paper form of communication and are not

receptive to adopt new mode for the reasons like lack of ease and comfort with e-means.

Impact of electronic delivery on environment has no significant impact on the preference of shareholders for electronic mode. This was one of the null hypotheses for Model 1. Given the statistical insignificance of .239, this has proved right. Many research papers have proved that paper savings are huge with electronic circulation of reports, as also agreed by 95.3% of shareholder respondents and, it is very well accepted that there is a severe need to save trees by saving paper. Despite of the dire need to protect the environment, this factor has come out to be insignificant. This clearly means that lack of awareness and unwillingness to act are deeply sown in this area which need to be uprooted.

As shareholders get more comfortable with the electronic interface, they will prefer it 2.12 times more than the physical mode, because as they get more comfortable with reading from the screen, their inclination towards electronic mode will get higher.

As shareholders' level of ease with e-means increases, their preference for electronic delivery is 6.05 times stronger than for printed delivery, because as they start experiencing that with electronic delivery, it is easier to access, compare and retain the reports and, there is negligible risk of losing the reports in transit; they will start liking the electronic delivery more.

As the shareholders become convinced with the fact that due to electronic communication, company is being able to prevent a lot of printing and postal expenses, they will start preferring electronic delivery by more than 2.5 times. Therefore, impact of electronic delivery in reducing costs can be said to have a significant impact on the preference of shareholders towards electronic mode.

It is important to know which factors are positively influencing the shareholders towards electronic delivery of documents so that while spreading awareness among the shareholders about its benefits, deeper emphasis is made on the factors which influence them towards electronic mode. Here, the influencing factors are: Level of ease and comfort with electronic delivery and its impact on cost reduction. Also, its impact on environment needs to be deliberated at a large scale. The purpose of spreading awareness will be easier to achieve if complemented with visible supporting actions. Here such actions can be: level of ease can further be increased by giving an easier access through a simple link to quickly download the software required to open the report and ensuring that reports are not unnecessarily protected with multiple passwords unknown to the shareholders (as told by one of the interviewees).

### ***Electronic Voting***

To begin with, an attempt has been made to find out whether there is any difference in the preference between physical and electronic mode for voting on the resolutions. Binomial test has given the result that yes, difference does exist towards

electronic mode. More than 80% of the shareholders have chosen electronic mode. Delving into the various factors behind it as studied in Model 2 through logistic regression, following are the findings and implications.

No difference in the choice of mode has been found based on gender. Shareholders with 5-10 years of investment experience prefer physical mode 100 times more than the electronic mode as compared to the shareholders with less than 5 years of investment experience. This means that newest shareholders trust the technology and relatively older shareholders think that actually going to the meeting and then casting the vote is more meaningful. Shareholders having 11-20 years of investment experience and shareholders with less than 5 years of experience, choose whatever mode they find desirable and convenient every time.

As shareholders' level of ease with e-means increases, their preference for electronic voting is 23.12 times stronger than for physical voting, because as they start to believe in the ease, satisfaction and convenience which e-voting provides by saving travel time, they get more inclined towards it. To make it extremely effortless for the shareholders, companies should upload demos of remote e-voting on their websites, as agreed by 81.3% of shareholders and, also provide toll free numbers to ask any queries during e-voting window, as agreed by 81.8% of shareholders. Shareholder also suggested use of mobile platform for e-voting through instant message facility.

Using 5% level of significance, it has been found that if shareholders believe that there are no security issues with remote e-voting, they will like it around 9 times more than physical voting. 88.2% of shareholders agreed with the statement that some high security systems should be mandated for e-voting. This means that shareholders want their votes to reach safely for making decisions and want to feel convinced that there are lesser chances of votes getting lost in transit unlike under postal ballot. It is interesting to note here that in UK; electronic voting was started to be adopted by the companies from 2004 after huge number of physical votes started going missing.

Coming to the last variable, it has been found that if shareholders feel that e-votes are equally informed as like physical votes, then they are around 37 times more likely to choose electronic voting. As we were told in the interviews also, that going to the meeting and casting the vote after full-fledged discussions is very satisfactory, hence; if all the important aspects and other information about the proposed resolutions are easily available to the shareholders online, they will readily switch to remote e-voting.

More than 80% shareholders prefer electronic voting over physical voting, but of them, around 30% have actually used it. Brimer (2006) also found that only 29% companies found that e-voting has only marginally increased the voter turnout. It is therefore important to know which factors are positively influencing the shareholders towards electronic voting so that while spreading awareness among the shareholders about its



benefits, deeper emphasis is made on the factors which influence them towards electronic mode. Here, the influencing factors are: Level of ease, no risk of security and no risk of e-votes being less-informed. Also, its contribution to good governance needs to be communicated.

During the interviews, small shareholders said that 'majority of them think that their votes will not make any difference; hence, for improved shareholder participation, some criteria like minimum 20%-25% votes on resolutions from minority shareholders should be introduced in law and it should be made compulsory for a shareholder to vote and if a shareholder has not voted for three times, his rights as a shareholder should be taken away.

### ***Electronic Meetings***

To begin with, an attempt has been made to find out whether there is any difference in the preference between physical and electronic mode for attending meetings. Binomial test has given the result that yes, difference does exist towards electronic mode. More than 70% of the shareholders have chosen electronic mode. Delving into the various factors behind it as studied in Model 3 through logistic regression, following are the findings and implications.

No difference in the choice of mode has been found based on gender and number of years of investment experience. It has been found that the variable – 'contribution of electronic initiatives to good governance' was though significant at 10% level of significance but the confidence interval included 1 because of which one cannot be sure of the positive relationship. One sample test has proved that the opinions of both the shareholders and the company secretaries are significantly positive about contribution of electronic initiatives to good governance and their opinion do not differ significantly.

Presently as per this study, more than 50% shareholders have never attended any general meeting and e-meeting is definitely a good solution in this situation as minority shareholders generally do not care to travel all the way to the place of the meeting which is generally the place of registered office of the company. But one big apprehension about e-meetings as found in the literature also, has been the risk of conflicts and complications on the electronic interface. In model 3, it has been discovered that as shareholders agree more with no higher risk of conflicts in e-meetings, they are around 4 times more likely to opt for electronic mode over physical mode. So, by having proper rules and mechanisms in place for the implementation of e-meetings, if shareholders are made to believe that they will get full chance to express their views in some form and, it will be completely synchronized and managed by competent persons appointed for the purpose, then shareholders' participation in AGMs could increase immensely. Talking about the chance to speak, researcher has collected responses on the proposed criterion – minimum percentage of shareholding in the company or minimum number of years of shareholding in the company. 40.4% of the shareholders and 55.3% of the company secretaries consented

to prescribing minimum percentage of shareholding as the criteria to establish right to speak for a shareholder. Hence, just like provision on class action suit under section 245 of Companies Act' 2013, after getting approval of the shareholders, certain minimum percentage of shareholding can be prescribed for the shareholders to speak during the e-meeting while others can mail the questions to a common email address of the director/ small shareholders' director who would be present at the meeting, which can then be taken up together.

Interpreting the last factor of model 3; as the shareholders become convinced with the fact that due to electronic meetings, company is being able to prevent lot of expenses involved in executing a physical meeting, they will start preferring electronic meetings by twice. Therefore, impact of electronic meetings in reducing costs can be said to have a significant impact on the preference of shareholders towards electronic mode.

It is important to know which factors are positively influencing the shareholders towards electronic meetings so that while spreading awareness among the shareholders about its benefits, deeper emphasis is made on the factors which influence them towards electronic mode. Here, the influencing factors are: no higher risk of conflicts in e-meetings and its impact on cost reduction. Also, its contribution to good governance needs to be deliberated at a large scale. Also to make it easier for the shareholders to attend an e-meeting, 81.3% of shareholders agreed that demos detailing steps involved in e-meeting shall be uploaded by the companies on their websites and; more than 60% agreed that companies should provide necessary equipment and network access at places where shareholders would need them to participate in e-meetings. Phenomenological analysis also gave a theme that lack of strong IT infrastructure in India is a major obstacle to introducing and vividly implementing the concept of electronic general meetings. However, it is widely accepted that initiative of Digital India has already been started to be directed towards this cause.

### **Conclusion**

Unequivocally, digitization has unraveled umpteen number of advantages in different sectors of this era. Using technology for governing the companies is not a new idea but has been flourishing in developed nations for more than four decades now. India saw the mark of the beginning of electronic corporate governance in 2006 when MCA 21 mission mode project was launched. Now in late 2010's, even shareholders have different tools to be used electronically to govern the companies. These tools are – right to receive electronic documents, right to vote electronically and right to attend the meetings electronically. The first two have already found a strong footing in the country but shareholders are not making use of them at the desirable pace. Electronic meetings still need the full-fledged infrastructure, well thought provisions and a proper jumpstart. Although electronic board meetings have made their way but a lot is yet to be done to further facilitate their easy conduct.

The study focused on quantitative and qualitative analyses of various factors which influence the shareholders' opinion about using the electronic mode. For electronic delivery of documents, it was found that older shareholders are less comfortable with e-means, its impact on environment came to be insignificant while level of ease and comfort associated with it and its impact on cost reduction came to be the significant variables impacting the opinion of shareholders in favour of electronic mode. Based on the qualitative analysis, it was found that some companies are sending the documents via both the modes and some are not sending via any mode. One suggestion received for e-delivery was that a minimum number of shares shall be prescribed for the shareholder to have the right to demand the printed copy of documents.

For electronic voting, level of ease, no risk of security and no issue of e-votes being less-informed came to be the significant variables for the shareholders. Majority of the shareholders insisted that companies should upload demos on their websites for e-voting and should also provide toll-free numbers for addressing the queries of shareholders during the e-voting window. While more than 80% shareholders answered in favour of electronic mode when asked about the preferred mode, only 30% have actually used remote e-voting. Shareholders suggested that 20%-25% of votes should be mandated to come from minority shareholders, it should be made mandatory for shareholders to vote and if a shareholder has not voted for three times, his rights as a shareholder should be withdrawn.

For electronic general meetings, their impact on cost reduction and no higher risk of conflicts came to be the significant variables influencing the shareholders. Based on qualitative analysis, it was found that food, vouchers and gifts are the only agenda for the shareholders in the Annual General Meetings. Suggestion in this mechanism was about restructuring the course of meeting and voting as currently with e-voting, no modifications are possible in the proposed resolutions. Moreover, Beuthel (2006) highlighted that among many reasons behind high shareholder presence in meetings in USA, one prominent reason is statutory minimum percentage of shareholding (50%) to be present in meetings.

Qualitative analysis revealed that the main problem is that the shareholders feel their role in governing the companies is negligible owing to their small shareholding, which should not be the case because when companies explode into scams, not only big shareholders but small shareholders also lose money which may seem little when seen on proportionate basis to big shareholders but could be a big proportion of the whole-life investment for some shareholders. Beuthel (2006) also analysed the reasons behind weak shareholder presence in AGMs and concluded small shareholders' lack of belief in making a change and their unwillingness to spend time and money as the major obstacles. Moreover, it is easier for big shareholders to recover their money using various ways. Companies are being required by law to spend so much time, effort and money to comply with the humungous number of rules, laws and legislation for the

benefit of the shareholders and the society, but the beneficiaries, especially the retail shareholders are hardly using their rights of casting their vote or attending meetings or checking the reports of the company before making their investment decisions. Shareholders invest in the shares of the company as per the random guidance of their brokers or financial advisors. Retail shareholder activism is very much needed for which shareholders' education is of utmost importance. Counselling and awareness sessions on the need to increase shareholder participation in meetings and voting, with special emphasis on the influencing factors discussed above, are required. Spreading awareness is quintessential for all the three initiatives. 83.6% of the shareholders themselves agreed that educating shareholders about various concepts of electronic interface is the need of the hour.

### Endnotes

<sup>1</sup>Beuthel, B. (2006). *Meetings and Shareholder Participation in Switzerland and Germany*. Dissertation, University of St. Gallen, Graduate School of Business Administration, Economics, Law and Social Sciences, Zurich.

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