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CORPORATE GOVERNANCE IN INDIA: LEGAL FRAMEWORK, CHALLENGES, AND THE ROLE OF REGULATORY AUTHORITIES

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ABSTRACT

In this paper, corporate governance in India is thoroughly examined, including its historical development, the complex legal and regulatory environment, enduring difficulties, and the crucial role played by regulatory bodies. Examining the fundamental Companies Act, 2013, as well as the important rules imposed by the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), and the Ministry of Corporate Affairs (MCA), the research charts the development of corporations from antiquity to the present. It critically evaluates important issues, such as the independence of the board, the widespread influence of promoter dominance, the intricacies of related party transactions, and the changing nature of shareholder activism, all of which are supported by case studies of notable corporate governance fails. Along with a comparison with global best practices from the OECD, UK, and US frameworks, the paper assesses the concrete effects of governance changes on financial transparency, shareholder rights, and business performance. In order to provide insights into the future course of corporate governance in India, it concludes by examining new trends including the incorporation of Environmental, Social, and Governance (ESG) considerations and the revolutionary potential of digital technology.

KEYWORDS: Corporate Governance, Companies, Companies Act 2013, SEBI, Board of Directors, Legal Compliance, Related Party Transactions, OECD

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[1]**Intern, Lex Lumen Research Journal.**

1. INTRODUCTION

Corporate governance is the set of guidelines, procedures, and policies that regulate the way in which a company is governed. It is crucial to ensuring authenticity, accountability and transparency in corporate management, guaranteeing that the interests of all parties involved (i.e. shareholders, staff, clients, and the community) are encrypted[2].

India has a long history of collaborative activity, as demonstrated by the ancient roots of "CORPORATE" form. According to accounts from history, "**sreni**," which were guilds or groups, were used as early as **800 B.C.** and continued to be used consistently until the arrival of the Islamic invasions in the year 1000 A. D[3]. They exhibited an inherent capability for organizational development and governance by being able adapt to altering state structures and commercial situations. India has strong indigenous roots in the idea of collaborative commerce and its governance rather than importing it. This historical background is important because it suggests that current corporate governance changes are an evolution or adaptation of preexisting cultural and historical norms, even though they are affected by international standards.[4]

The concept of corporate governance has become more prevalent in India, particularly in the aftermath of globalization and economic liberalization because it opened the Indian economy to foreign investment. Indian business practices were mostly governed by the Companies Act of 1956 up to that point, which lacked comprehensive governance frameworks. As a result, Indian Corporations are now under increased pressure to adhere to the rules and be transparent. Numerous innovative frauds and scams have surfaced in recent years, impacting a wide range of stakeholders,

[2] 3 A.C. FERNANDO, K.P. MURALEEDHARAN AND E.K. SATHEESH, CORPORTE GOVERNANCE:PRINCIPLES, POLICIES AND PRACTICES 7-15 (Pearson 2018).

[3] Vikramaditya S. Khanna, *The Economic History of the Corporate Form in Ancient India,* MICHIGAN LAW UNIVERSITY OF MICHIGAN, (June 20, 2025, 10:00A.M.), https://repository.law.umich.edu/umichlwps/olin/art56/.

[4] Subramanian Shanmugasundaram, *A Literature Review on Corporate Governance in India and Suggestions for Future Research* (SSRN Working Paper No. 4818163, May 6, 2024)

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including management, employees, banks, government agencies, and retail and institutional investors. They address a wide range of topics, including loan fraud, Ponzi schemes, money laundering, corruption, financial misstatements, and cybercrime. Currently, regulators are attempting to keep up with the rate of development of fraudsters. In response, the Indian government has increased cooperation and information sharing between government and law enforcement agencies and strengthened rules (such as **the Companies Act, 2013**).[5] The companies also, in order to comply with new regulations and meet international standards enforced by the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA), have strengthened their internal control framework and implemented new policies and procedures[6]. In 1999, the Kumar Mangalam Birla Committee was appointed by the Securities and Exchange Board of India (SEBI) which established India's first legally binding set of corporate governance guidelines for listed businesses under Clause 49 of the Listing Agreement[7]. This paper's primary goal is to analyse India's corporate governance laws and its implementation or effectiveness with the recent reforms and challenges of corporate sector's operating procedures.

2. FRAMEWORK OF CORPORATE GOVERNANCE IN INDIA

The Companies Act of 2013 and its implementing regulations serve as the legal foundation for India's corporate governance system. International best practices for corporate governance have generally been followed by the Indian legal system. This section offers a thorough summary of the

[5] Alvarez & Marsal, *Seven years after the Satyam computer fraud: key developments impacting financial crime in India,,* ALVAREZ & MARSAL, 3 (2016), https://www.alvarezandmarsal.com/sites/default/files/am_india_seven_years_after_the_satyam_computers_fraud_f3lr.pdf#:~:text=fraud%20at%20Satyam%20Computer%20Services,3.
[6] Abhijeet U. Pai, *Corporate Governance—Study of Indian Law and Policy* (SSRN Working Paper No. 5296009, June 15, 2025)
[7] Securities and Exchange Board of India, *Business Responsibility and Sustainability Reporting by Listed Entities* (Circ. No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562, May 10, 2021)

main laws and rules that control corporate governance in India, demonstrating the multifaceted strategy that the Indian government has chosen.

2.1. The Companies Act, 2013

In India, the Companies Act, 1956 was superseded by the historic Companies Act, 2013, which came into effect on August 29, 2013. Furthermore, on March 31, 2014, the Ministry of Corporate Affairs released the Companies Rules 2014 on Management and Administration, Appointment and Qualification of Directors, Meetings of the Board of Directors and its Powers and Accounts. The Companies Rules and the Companies Act of 2013 offer a strong foundation for corporate governance. This Act provides a strong framework that regulates company formation, administration, and dissolution across the nation, making it the cornerstone law for corporate activities. 2 Its rules are aimed to strengthen corporate ethics, accountability, and openness. In order to guarantee impartial oversight and decision-making, the Act contains specific requirements for the qualifications and responsibilities of Independent Directors (IDs), which are outlined in **Section 149(8) and Schedule IV**. Additionally, **Section 149(1**) requires that at least one-woman director be appointed to the board of listed companies, thereby promoting gender diversity at the highest levels of corporate leadership. A number of committees, including the Corporate Social Responsibility Committee **(Section 135)**, the Audit Committee **[Section 177(1)],** the Nomination and Remuneration Committee **[Section 178(1**)], and the Stakeholders Relationship Committee **[Section 178(5)]**[8]**,** are required to established mandatorily. The statutory foundation for required CSR expenditure for qualified corporations is laid out by Section 135 of the Act, Schedule VII, and the companies (CSR Policy) Rules, 2014. Since the CSR framework is essentially focused on disclosure, businesses must submit thorough reports of their CSR initiatives to the MCA21 register on a yearly basis. Moreover, companies must include details about their CSR expenditure in their yearly financial reports.

2.2. Securities and Exchange Board of India (SEBI) Regulations

[8] Companies Act, 2013, No. 18, Acts of Parliament, 2013 (India).

SEBI is a regulatory body that oversees listed companies and provides guidelines, rules, and laws to businesses in order to safeguard investors. It establishes and enforces regulations that guarantee the public disclosure of pertinent information and promote equitable treatment for all shareholders is its duty. [9]With effect from December 1, 2015, the **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations)**[10] constitute a thorough reform of previous listing agreements. The new regulations outline broad responsibilities for listed companies with the goal of safeguarding investor interests, creating strong listing standards and replacing earlier frameworks which leads to enhance transparency and accountability in the corporate sector. SEBI keeps a close eye on insider trading and Related Party Transactions (**RPTs**) because it knows that these practices have the potential to undermine investor trust and market fairness. To prevent privileged information from being misused by those who have access to it, including directors, workers, and corporate leaders, the regulator has put in place proactive restrictions. Companies are required under the SEBI (Prohibition of Insider Trading) Regulations, 2015[11], for example, to establish strong codes of conduct, keep careful records of insiders, and routinely report their trading activity. Policies for managing unpublished price-sensitive information (**UPSI**) are also required in order to prevent the leakage or abuse of such vital information.

2.3. Role of Ministry of Corporate Affairs (MCA) In India's corporate system, the Ministry of Corporate Affairs (MCA) plays a crucial role as the main government agency in charge of making sure companies follow the rules of transparency and legal integrity. The Companies Act (2013), the Limited Liability Partnership (LLP) Act (2008), and the Insolvency and Bankruptcy Code (2016) [12]are major pieces of law that regulate the business sector and are under the MCA's broad

[9] Atena Rebello, *Corporate Governance in India: Objectives, History, Regulatory Framework, Examples,* CLEAR TAX (1 July, 2025, 02:30 P.M.), https://cleartax.in/s/corporate-governance-in-india.
[10] Securities and Exchange Board of India, *Listing Obligations and Disclosure Requirements Regulations, 2015* (as amended July 10, 2024)
[11] Securities and Exchange Board of India, *Business Responsibility and Sustainability Reporting by Listed Entities* (Circ. No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562, May 10, 2021).
[12] CAPRICORN, https://www.certificate.digital/articles/261/ministry-of-corporate-affairs-mca-registration-dsc/ (last visited July 2, 2025).

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scope. The MCA is in charge of overseeing the whole tenure of businesses and Limited Liability Partnerships (LLPs), from their formation and continuous administration to their ultimate dissolution. This extensive supervision guarantees that India's business community adheres to accepted international best practices.

2.4 Reserve Bank of India (RBI) Regulations

The Reserve Bank of India (RBI) holds a crucial position as the primary regulator and supervisor of the financial system in India. The primary goals of the RBI's regulatory role [13] are to protect depositors' interests and to keep the country's banking and financial sector generally sound, stable, and healthy. Its power is derived from the extensive provisions of **the Banking Regulation Act of 1949** for the Indian Banking System and **the RBI Act of 1934** for other financial institutions. The RBI has released particular recommendations for Non-Banking Financial Companies (NBFCs) to encourage best practices and more transparency in their operations, acknowledging the systemic significance and particular risks of financial institutions. Comprehensive directions like the Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Master Direction, 2023, contain these recommendations. The strict "fit and proper"[14] requirements for bank executives and directors are a fundamental component of the RBI's corporate governance framework for financial institutions. These requirements demand that those in such roles have the abilities, background, and ethical behavior necessary to carry out their duties in an efficient manner.

2.5. Department of Public Enterprises (DPE) Guidelines

The presence of non-official directors on the Board of Directors was covered by Corporate Governance rules published by the Department of Public Enterprises (DPE) in November 1992. In November 2001, DPE released additional rules that allowed independent directors who serve on the board. In June 2007, the government unveiled the Corporate Governance Guidelines for

[13] S.P. Lathika Sri and S.P. Vidyassri, *A Study on Role of RBI in Regulating Banks* , 1 IJLMH 1, 4 (2018).
[14] NABFINS, https://nabfins.org/wp-content/uploads/2023/09/Internal-guidelines-on-Corporate-Governance.pdf (last visited July 2, 2025).

Central Public Sector Enterprises (CPSEs) in an effort to increase accountability and transparency in their operations.

3. CHALLENGES IN INDIAN CORPORATE GOVERNANCE

Indian corporate governance has a number of serious obstacles despite having a strong legal and regulatory framework, many of which are brought on by the country's distinct ownership structures and market dynamics. These difficulties may affect stakeholder interests and hinder the efficiency of governance procedures.

3.1. Board Independence and Composition Concerns

The true independence and ideal composition of company boards remain prevalent issues in Indian corporate governance. Many prospective independent directors (IDs) struggle to get board positions in spite of established procedures and legal requirements for ID appointments. This is especially noticeable in India's largely family-run companies, where a strong preference for reliable insiders frequently wins out over experts who are really autonomous. This inclination may result in independent directors "rubber-stamping" management ideas rather than actively contesting decisions and advocating for improved governance.
It is well acknowledged that the board's efficient operation depends on each member maintaining true independence, both in data and spirit. But in practice, independent directors often work "in the shadow of the promoters" since the controlling shareholders have the power to influence their nomination and retention. A significant conflict of interest may result from this dynamic, which may cause independent directors to feel obligated to management. This demonstrates a significant discrepancy between the de facto application of the de jure legal demand for independence. Even while there are legal frameworks in place, the underlying power dynamics especially in family-owned businesses often undercut the fundamental purpose of board independence, improving governance only superficially rather than significantly. Even after independence, finding the ideal board composition is still difficult. Although the mathematical framework for board composition is provided by legal and regulatory frameworks, a proper balance between executive and non-executive members is necessary for a functional board. This balance should be adjusted to the

particular needs and strategic direction of the business to include diversity in gender, age, experience, expertise, skills, and regional representation. In the absence of true independence and a really varied skill set, the board's capacity to offer impartial supervision and strategic direction may be seriously jeopardized.

3.2. The Effect of Promoter Dominance on Minority Shareholders and Governance

One of the main structural problems with Indian corporate governance is the extensive effect of promoter authority. Agency disputes between dominant owners (known as "promoters" in India) and smaller shareholders are common in businesses with concentrated shareholding. In contrast to directors, promoters are allowed by law to act in their own best interests as shareholders and often have no fiduciary obligations to the firm or its minority shareholders. Because of this inherent conflict, there may be instances in which the dominating group's interests take precedence over those of other stakeholders. The 2016 Tata incident provided a clear example of these relationships. The promoter of several Tata group firms, Tata Sons Limited, controversially called an extraordinary general meeting (EGM) to remove Mr. Cyrus Mistry from his position as a director. Despite the independent directors' support for Mr. Mistry, this move sent a frightening message across the corporate community. The scenario "portends ominous consequences to the institution of independent directors in India: toe the promoter line, or you will be shown the door". This incident significantly undermined the board's independence and raised concerns about the effectiveness of independent directors in safeguarding the interests of minorities by illuminating how promoters might use legislative procedures for director removal to exert influence.

3.3. Complexities and Concerns in Related Party Transactions

Despite being a usual occurrence in company operations, Related Party Transactions (RPTs) are closely examined because of the conflicts of interest they entail. The company may lose out on legitimate business opportunities as a result of these transactions, or more seriously, money may be illegally transferred from the company to another entity under the related party's control, known as **"tunnelling of funds."** RPTs usually raise red lights from the standpoint of proxy advisory firms, which results in recommendations against their approval by shareholders because of widespread disclosure gaps and legal issues. Typical problems include the failure to disclose the methodology used to calculate project costs, the contract award process, or the foundation for "arm's length pricing", a concept that mandates that transactions be carried out as though they were between unaffiliated parties. It is quite difficult for shareholders to determine if a transaction is actually in the best interests of the firm when there is a lack of transparency.

3.4. The Changing Shareholder Activism Landscape

Many people believe that one of the most important ways to improve accountability and transparency in businesses is through shareholder activism, which is the active use of an ownership position to influence firm policy and practices. Theoretically, it may refine business strategy, generate shareholder value, greatly lessen agency issues between management and shareholders, and enhance corporate governance in general.

Nonetheless, there are major institutional obstacles to shareholder activism's efficacy in India. The largest obstacle is the high concentration of shares owned by government agencies or insider promoters. Because outside holders' voting strength is sometimes insufficient to bring about change, this concentrated ownership naturally restricts their influence. The practical impact of activism is further hampered by smaller investors' lack of interest in voting and the inherent challenges of organizing group action among a scattered shareholder base. Meaningful levels of shareholder activism are still elusive in the near future, despite concerted efforts to empower shareholders through reform, such as the introduction of electronic voting, provisions for class action suits (Section 245 of the Companies Act, 2013), and the concept of small shareholder directors. Since the efforts to reduce insider ownership have been "very halting," it is clear that ingrained cultural and structural hurdles still exist. This suggests that although the legal structure is changing to give shareholders more power, this authority is being used under restrictions, making the process gradual rather than revolutionary in the near run. However, new forces for change are beginning to emerge. A possible driver for activism, the expanding power of proxy consulting firms in India is encouraging collaboration among smaller outside shareholders. These companies advise on voting issues, assisting in educating and energizing institutional and individual investors[15]. These trends point to a slow but steady move towards more shareholder participation and control, even if the actual effects of shareholder activism in India are still being seen.

3.5. Major Corporate Governance Failures and Ethical Gaps (Case Studies)

Unfortunately, India has seen a number of widely discussed corporate governance lapses that have seriously damaged investor confidence and acted as important impetuses for important legislative and regulatory changes. Despite changing legal frameworks, these examples show enduring vulnerabilities.

A. Computer Services Satyam (2009)

One of the biggest accounting scams in India, the Satyam affair served as a "wake-up call" that revealed obvious weaknesses in corporate governance.[16] The company's founder and chairman, Ramalinga Raju, admitted to routinely inflating cash balances, earnings, and sales by a staggering Rs. 7,800 crores, or almost 94% of the company's assets. Additionally, he acknowledged embezzling corporate cash for his own expenses, including investments in his family's companies. Due to the inexperience of the board and the conflicts of interest caused by independent directors' financial dependence on senior executives, the incident exposed a serious lack of board monitoring. The enormous scam was kept secret because the audit committee, which was made up of non-executive directors, only used information supplied by management. PricewaterhouseCoopers (PwC), Satyam's external auditor, was also charged with conspiring with Raju and failing to identify the fraud, including ignoring warning signs from anonymous whistleblowers[17]. This revealed a serious breakdown in professional independence and scepticism. At the time, the regulatory structure was also considered insufficient, with delayed legislation and

[15] Vijay K. Singh, *Corporate Governance Failures as a Cause of Increasing Corporate Frauds in India—An Analysis*, in *Facets of Corporate Governance and CSR in India* 116 (H. Kaur ed., Springer 2021).
[16] Tabrez Ahmad et al., *Satyam Scam in the Contemporary Corporate World: A Case Study in Indian Perspective*, 7 BRICS L.J. 59 (2020).
[17] Madan L. Bhasin, *Corporate Accounting Fraud: A Case Study of Satyam Computers Ltd.*, 2 Open J. Account. 26 (2013).

poor and ineffective communication. Significant changes were brought about by the Satyam case, such as the Companies Act of 2013 and more stringent SEBI rules that made corporate fraud illegal and required auditor rotation.

B. PNB Fraud (2018)

The major Rs. 11,400 crore fraudulent transaction case involving diamantaire Nirav Modi, known as the Punjab National Bank (PNB) scam, revealed serious shortcomings in the banking system's internal controls and supervision. The bank's discovery and reporting of "fraudulent and unauthorized transactions" at one of its Mumbai branches demonstrated how widespread financial misbehavior may be facilitated by a lack of effective internal controls.

C. DHFL (2019)

In the Dewan Housing Finance Limited (DHFL) incident, which is regarded as the largest corporate fraud of 2019, money was purportedly siphoned through a branch that did not exist and parallel accounts were kept. The weaknesses brought about by insufficient internal control systems and financial transparency in major financial institutions were further highlighted by this case.

4. EFFECTS OF REFORMS IN CORPORATE GOVERNANCE

The corporate sector has been positively impacted by the numerous corporate governances changes that India has put in place. These reforms have strengthened shareholder rights, improved financial transparency, and improved overall company performance and financial stability.

4.1. Enhanced Shareholder Rights and Financial Transparency

In the Indian corporate landscape, corporate governance reforms—most notably those resulting from the Companies Act of 2013, Clause 49 of the Listing Agreement, and the ensuing SEBI (Listing Obligations and Disclosure Requirements) Regulations—have clearly improved financial transparency and fortified shareholder rights. As a result of these reforms, disclosure standards have been greatly enhanced, encouraging accurate and consistent reporting of financial performance as well as other noteworthy events. Shareholders benefit from this improved information flow as it gives them more security for their money and guarantees that they are well-informed about key choices that affect the business.

Provisions that have strengthened shareholder authority were particularly added by the Companies Act of 2013. Due to the elimination of the requirement to physically attend general meetings, the mandated implementation of electronic voting for specific categories of businesses has boosted the involvement of retail investors. Additionally, Section 245 of the Companies Act of 2013 on class action litigation, has given minority shareholders the ability to jointly resolve complaints, opening up a vital legal channel for redress. The combination of these legislative modifications and SEBI's strict disclosure requirements has resulted in a more knowledgeable and involved shareholder base.

4.2. Impact on Financial Stability and Business Performance

Corporate achievement and general financial stability in India have been directly and favourably correlated with the adoption of strong corporate governance frameworks. Reforms have raised market values for businesses and produced noticeable gains in a number of key performance indicators (KPIs), including return on assets. This suggests that good governance measures actively support a company's financial stability and reputation in the marketplace rather than just being a regulatory burden. In the business sector, strong corporate governance is also essential for lowering the likelihood of fraud and boosting financial stability. Transparency and accountability are hallmarks of a well-run business, which naturally increases profitability and credibility and makes it easier for it to draw in more affordable investment from investors. According to this, strong governance frameworks help to reduce the cost of capital, facilitate more effective capital allocation, and eventually improve business performance and the expansion of the national economy. The focus on "trustworthiness" draws attention to the fact that good governance fosters confidence, which is necessary for both sustainable growth and a healthy capital market. For the economy to thrive generally and for the banking and larger business sectors to be strengthened, good corporate governance is essential. It guarantees the best possible use of resources and aids in cutting waste in businesses. Effective corporate governance is crucial for protecting investors and promoting long-term economic growth, as demonstrated by the rise in financial crises and business scandals both domestically and abroad. This strengthens the knowledge that good governance plays a major role in the economy and fosters a stable and successful business environment.

4.3. The Scope of Landmark Cases and Judicial Declarations

In India, court rulings are essential for interpreting, elucidating, and upholding corporate governance rules, especially those pertaining to director behaviour and shareholder rights. One important venue for resolving shareholder complaints, including intricate cases of oppression and poor management, is the National Company Law Tribunal (NCLT). The judiciary has clarified through a number of decisions what particular actions qualify as oppression, including the removal of a director with the intention of denying them benefits, the holding of meetings without giving shareholders adequate notice, or the unlawful distribution of shares intended to exert control. Section 245 of the Companies Act of 2013 added provisions for class action lawsuits, which greatly increased the power of shareholders. With the NCLT having the authority to provide a range of remedies to the impacted parties, these lawsuits give minority shareholders the opportunity to jointly address complaints against the business, its directors, or its auditors. A crucial check on corporate power is provided by this process, which also gives redress to harmed stakeholders.

Other important rulings have influenced the relationship between bankruptcy law and company governance. The **Insolvency and Bankruptcy Code (IBC), 2016**, as well as relevant court rulings like **Arun Kumar Jagatramka v. Jindal Steel and Power Limited [18] and Bank of Baroda and Another v. Mbl Infrastructures Limited**[19], reaffirm that the resolution process relies heavily on sound corporate governance and respect for the law, especially when it comes to matters like promoter bidding during insolvency proceedings and how related party transactions are handled. The judiciary's dedication to maintaining governance norms even in times of business difficulty is demonstrated by these decisions. The Supreme Court has also addressed important issues such as the legitimacy of board decisions in family-controlled businesses and the "fit and proper" standards

[18] Arun Kumar Jagatramka vs Jindal Steel And Power Limited, AIR 2021 SC 1563.
[19] Bank of Baroda and Another v. Mbl Infrastructures Limited, 2022 SCC Online SC 48.

for directors. These rulings have made it clear that disagreements mostly about succession and wills are civil in nature and shouldn't be confused with actual instances of mismanagement and tyranny under business law. The judiciary is actively influencing how corporate governance rules are interpreted and applied, as seen by the active involvement of court rulings, especially those from the Supreme Court and NCLT. The details of class action lawsuits and cases involving tyranny and mismanagement show that resentful shareholders have legal options, which serves as a vital check on corporate authority. The premise that effective governance is essential to the integrity of the whole business ecosystem is further supported by the integration of governance principles across other legal disciplines, such as insolvency law. Even while the speed of legal proceedings might occasionally be problematic, this suggests an increase in judicial activism in enforcing governance requirements.

5. BEST PRACTICES AND INTERNATIONAL COMPARISONS

India's corporate governance framework may be compared to industry-leading foreign norms to uncover areas of alignment and potential for improvement. The Sarbanes-Oxley Act, the UK Corporate Governance Code, and the OECD Principles are just a few of the international standards that are compared to India in this section.[20]

5.1. Conformity to the Corporate Governance Principles of the OECD

The generally recognized international standard for how businesses are run and how they handle their interactions with stakeholders and shareholders is the Organization for Economic Cooperation and Development (OECD) Principles of Corporate Governance[21], which were initially published in 1999 and most recently updated in 2023. Investor protection, long-term

[20] Umakanth Varottil & Richa Naujoks, *Corporate Governance in India: Law and Practice*, in *India: The Business Opportunity* (L. Spedding ed., 2016), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2951705#:~:text=Varottil%2C%20Umakanth%20and%20Naujoks%2C%20Richa%2C,342%2C%20Available%20at%20SSRN%3A%20https%3A%2F%2Fssrn.com%2Fabstract%3D2951705.

[21] OECD, https://www.oecd.org/en/topics/corporate-governance.html (last visited July 5, 2025).

company sustainability, and capital market funding are the goals of these guidelines for listed businesses. These principles place a lot of emphasis on the rights of shareholders, the function of institutional investors, thorough corporate reporting and transparency, the duties of boards of directors, and, more and more, sustainability issues.

The corporate governance structure in India has been changing, and recent changes show that it clearly complies with international best practices, such as those promoted by the OECD. [22]Given that strong governance standards may dramatically reduce a company's cost of capital, this shows a deliberate aim to join the global financial system and draw in foreign investment. Despite being regarded as "soft law" and not legally enforceable, the OECD's widely accepted principles offer helpful direction, especially in complicated areas like family company governance and climate change mitigation. Although there is a strong push for global alignment, the flexibility inherent in the OECD principles—particularly with regard to "family businesses" and the recognition of India's widespread "family-run businesses" indicate that these principles need to be modified or applied more nuancedly due to India's unique ownership structures. This suggests a two-pronged strategy: embracing international norms while concurrently tackling issues unique to each nation. India's path toward incorporating sustainability into its governance structure is further guided by the OECD's continuing changes to its standards, which include the emphasis on climate change as a financially substantial risk. India's desire to promote a governance environment that is both globally reputable and locally relevant is reflected in this global convergence with local nuances.

5.2. A Comparison with the Corporate Governance Code of the United Kingdom

The "comply or explain" UK Corporate Governance Code [23]establishes governance guidelines for businesses and places special emphasis on important topics such board leadership, responsibility allocation, composition, succession planning, assessment, audit, risk, internal control, and

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[22] Luther Lie, *OECD Principles of Corporate Governance,* RESEARCHGATE (July 5, 2025, 04:50 P.M.), https://www.researchgate.net/publication/371234701_OECD_Principles_of_Corporate_Governance.
[23] Financial Reporting Council, https://www.frc.org.uk/library/standards-codes-policy/corporate-governance/uk-corporate-governance-code/ (last visited 6 July, 2025).

compensation. This strategy differs from India's typically more rule-based approach, where non-compliance may result in direct regulatory action, in that it permits enterprises to depart from the Code's requirements as long as they present a good reason. The governing systems of India and the UK have certain parallels and differences:

Board Independence: Companies must provide an explanation for any departures from the UK Code's recommendation that at least 50% of the board be made up of independent directors, with an independent director ideally serving as the board's chair. According to India's Companies Act of 2013, if the chairman is non-executive, at least one-third of the directors must be independent, and if the chairman is executive, half must be independent.

Diversity: Nomination Committees are required under the UK Code to declare their involvement in advancing these values among senior management and their staff. The Code places a high value on gender balance, diversity, and inclusion. India requires listed firms to nominate at least one female director.

Compensation: According to the UK Code, executive compensation must be based on a documented policy that supports the company's long-term goals and strategy. This policy must include clauses pertaining to clawback and the "do not reward poor performance" concept. Although compensation is covered by Indian legislation, these particular features are typically not as well-detailed.

Stakeholder Engagement: In addition to requiring particular answers when proposals get a sizable number of dissenting votes, the UK Code places a strong emphasis on maintaining regular contact with key shareholders outside of Annual General Meetings (AGMs). Additionally, it emphasizes having a representative workforce on the board and creating effective avenues for staff issues to be communicated to the board.

India might gain a lot by implementing a few of the UK Code's best practices. Instead, then just checking boxes, adopting a more "comply or explain" strategy might promote more flexibility and deeper, more deliberate commitment to governance principles. Objective supervision might be improved by strengthening board independence, for example, by promoting an independent chair and pursuing a 50% independent director mandate. [24]Additionally, India's corporate governance standards could be raised by embracing more thorough diversity disclosures, putting in place comprehensive compensation policies with clawback clauses, and encouraging more proactive stakeholder and workforce engagement. By doing so, the country could go beyond structural mandates and develop a truly moral and responsible corporate culture. India's governance practices can advance through this process of learning from adaptability and stakeholder attention.

5.3. Insights from US Practices and the Sarbanes-Oxley Act (SOX)

A strict regulatory response to significant corporate scandals like Enron, the US Sarbanes-Oxley Act (SOX) was passed in 2002 with the goal of regaining investor trust. Strict financial disclosures, strong internal controls, and even harsher punishments for white-collar offenses are all required under SOX. Despite being unique to the US[25], SOX's tenets have had a significant impact on corporate governance changes across the world, especially in India. Real-time disclosures of significant financial changes to investors are required under SOX, especially Section 409, which guarantees that investors have instant access to vital information. On the other hand, India's Clause 49 implied a possible reporting lag as it mainly required quarterly and yearly reports, with interim disclosures only for noteworthy occurrences.[26]

Indian businesses are exempt from SOX compliance requirements unless they are subsidiaries of US-based businesses or are listed on US stock markets. Nonetheless, India's Clause 49 effectively integrated a number of beneficial SOX elements into its regulatory framework, greatly enhancing corporate governance procedures by raising board professionalism, accountability, and openness.

[24] KPMG Assurance & Consulting, *Corporate Governance in India and the UK: A Regulatory Contrast* (Jan. 2024), https://assets.kpmg.com/content/dam/kpmg/in/pdf/2024/01/corporate-governance-in-india-and-the-uk-a-regulatory-contrast.pdf#:~:text=Evolution%20of%20corporate%20governance%20mechanisms,the%20SEBI%201995%20The%20Greenbury.

[25] 7, URVASHIBA N. JHALA & AYUSHI JHALA, AMERICAN JOURNAL OF ECONOMICS AND BUSINESS MANAGEMENT, 56-60 (Global Research Network 2024).

[26] Mariana Pargendler, *The Global South in Comparative Corporate Governance*, (Oxford Handbook of Corp. Law & Gov't, forthcoming 2025), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4699188#:~:text=Pargendler%2C%20Mariana%2C%20The%20Global%20South,com%2Fabstract%3D4699188.

The growth of Indian government has been greatly aided by this process of learning from strictness and enforcement. India's proactive response to international financial scandals through the implementation of SOX-like measures shows a dedication to improving governance standards and fostering greater investor trust.

6. TECHNOLOGY ADOPTION AND DIGITAL TRANSFORMATION IN GOVERNANCE

Building on recent e-governance efforts like MCA21, Aadhaar, Digi Locker, and UMANG, India is aggressively utilizing digital transformation to improve corporate governance. The way businesses handle compliance, risk, and transparency is being completely transformed by the broad deployment of technology.

6.1. Artificial Intelligence (AI) and Big Data Analytics: AI is quickly emerging as a crucial corporate governance tool. Large volumes of data may be analysed quickly by AI-powered systems, which can also identify patterns that human reviewers miss and provide timely insights that help improve decision-making. AI may be used by Indian boards to identify new compliance issues with regard to SEBI, RBI, and MCA rules. It can also be utilized for ongoing control monitoring, identifying anomalous approval patterns, GST misclassifications, or unlawful bank access. By examining whole populations of financial transactions (as opposed to just traditional sampling) and identifying warning signs like circular transactions or related party misreporting, AI also improves the job of audit committees.

6.2. Blockchain Technology: By enabling self-regulation, bringing previously unheard-of levels of transparency, and improving overall efficiency, blockchain technology has the ability to completely transform relationships between governments, corporations, and citizens. Blockchains can enable smooth transactions that automatically follow predetermined terms by encoding rules as computer programs and enabling parties with conflicting interests to work together on an unchangeable ledger. This lessens reliance on onerous regulatory oversight and ad hoc bureaucracy. Because of this feature, blockchain has great promise for banking, trade finance, and supply chains, protecting data integrity and lowering fraud.[27]

6.3. Digital Governance Practices: These changes in technology are being supported by legal modifications. Provisions for virtual communications and digital board meetings, for example, are increasing board accessibility and efficiency. By requiring daily backups of electronic data in India, demanding increased disclosure for overseas service providers, and requiring an audit trail feature integrated into accounting software, the recently announced Companies (Accounts) Amendment Rules, 2025, further solidify this commitment. The purpose of these steps is to strengthen data security, provide Indian authorities unhindered access, and discourage fraudulent activity.

The extensive use of blockchain, artificial intelligence, and digital technologies in Indian corporate governance is a proactive strategy to increase productivity, openness, and compliance. Blockchain's promise for immutable record-keeping and AI's capacity to identify risks and track controls point to a more robust and real-time governance environment in the future.[28] But this digital revolution also brings with it new dangers, such data breaches and cybersecurity threats, which means boards need to learn new skills in technology risk management. This suggests that although technology has enormous potential for improved governance, it also calls for increased attention to detail and flexible regulatory solutions to reduce new digital threats.

CONCLUSION

Based on long-standing customs, corporate governance in India has developed into a strong structure under the direction of the Companies Act of 2013 and with supervision from the RBI,

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[27] Aniruddh Vadlamani, Ryan Joseph & Chetan Soni, *Corporate Governance Appended: Application of Blockchain to Revive Lost Management*, 16 NUJS L. Rev. 129 (2023), https://nujslawreview.org/2023/10/13/corporate-governance-appended-application-of-blockchain-to-revive-lost-management/#:~:text=Cite%20as%3A%20Aniruddh%20Vadlamani%2C%20Ryan,129%20%282023.

[28] Rudraksh Agrawal, *Corporate Governance and ESG Compliance in India: Legal and Ethical Challenges* (SSRN Paper, Jan. 25, 2025).

SEBI, and MCA. This framework, which includes groundbreaking CSR measures, requires strict board compositions, disclosures, and accountability. Significant obstacles still exist, though, since widespread promoter domination frequently jeopardizes board independence and intensifies disputes in related party transactions. Due to concentrated ownership, shareholder activism is still in its infancy. Additionally, previous ethical failures, such as the Satyam and Kingfisher scandals, highlight the discrepancy between following the law and upholding moral principles. Notwithstanding these obstacles, judicial decisions have offered vital interpretations, and changes have significantly increased financial openness, reinforced shareholder rights, and improved company performance.

With the promise of increased efficiency and transparency as well as new hazards, India is embracing ESG integration and digital transformation through AI and blockchain. Another indication of a changing economy is the ongoing regulatory reforms implemented by SEBI and MCA. In order to gain investor trust and promote sustainable growth on the international scene, India's corporate governance path is one of constant change, requiring constant attention to detail, ethical integration, and flexible tactics.