CORPORATE GOVERNANCE IN INDIA DETAILED ANALYSIS

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ABSTRACT

Over the years, Corporate Governance in India has significantly changed over time. It shifted from a weak regulated environment to a more structured framework focusing on improving accountability, transparency, and ethical business practices. This article explores the evolution of corporate governance in India, focusing on key regulation reforms including the Companies Act of 2013, SEBI (LODR) regulations, and RBI guidelines. The article also explores major corporate scandals, such as the Satyam scandal, and their impact on governance reform. Despite these improvements, challenges include board independence, insider trading, minority shareholder protection, and safeguarding whistleblowers. This article also suggests ways to strengthen corporate governance, such as the adoption of the global standard by using technology and encouraging the active participation of institutional investors. Finally, it concludes with this article envisioning the future of corporate governance in India, highlighting the importance of integrating environmental, social, and governance (ESG) principles and using growing technology like AI and Blockchain for greater transparency and fraud detection. By aligning with global standards and fostering stronger enforcement mechanisms, India can build stronger corporate governance, that ensures long-term growth and the confidence of investors.

Keywords: Companies Act, 2013, SEBI (LODR) Regulation, Regulatory Reform, RBI Guidelines, Satyam Scandal, Growth, India, Corporate Governance.

INTRODUCTION

A detailed system of rules, practices, and procedures that guide the direction, control, and management of a corporation is referred to as corporate governance. It includes the structure and mechanisms that regulate and regularly monitor company activities to ensure responsible

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decision-making and long-term growth. The main object of corporate governance is to create a detailed framework that balances the interests of different stakeholders in the company, including shareholders, management, customers, employees, suppliers, financiers, regulators, and the community. In practice, corporate governance focuses on promoting transparency, accountability, and fairness in business. However, transparency states that stakeholders have access to clear, accurate, and timely information regarding the company's financial performance, operation, and risk factors. Additionally, accountability refers to those in positions of power, especially the board of directors and senior management staff are held liable for their actions or conduct, ensuring that they must act in the best interest of the company and stakeholders along with that they must act in due diligence. Now, fairness states that all stakeholders, especially minority shareholders and employees, are treated equally without any discrimination and everyone has the equal opportunity to speak and participate in the decision-making process.

Good corporate governance supports the efficient use of resources, enhances market integrity, and prevents any type of misconduct. Corporate governance plays an important role in attracting investors, 2governance boots trust among investors and builds confidence among them, effective governance not only increases a company's reputation but also contributes towards the broader economic stability and overall economy of the company.

Moreover, Corporate governance includes various internal controls such as risk management, regular auditing processes, and codes of ethics, which provide safeguards against unethical behavior or conduct and ensure that companies operate legally and comply with due procedure established by law. Now many of the businesses interconnect globally aligning corporate governance with international regulations has become increasingly important.

Ultimately, corporate governance is a dynamic concept, and day by day it is an evolving practice that aims to balance profit generation with social responsibility, environmental sustainability, and ethical corporate conduct. By following good governance practices, companies can create long-term value for shareholders while contributing positively to society at large.

EVOLUTION OF CORPORATE GOVERNANCE IN INDIA

Over the years, corporate governance in India has transformed significantly, it is influenced by economic policy change, regulatory interventions, and the failure of the corporate sector. The

evolution of corporate governance can be categorized into different phases such as the pre-liberalization era, post-1991 economic reform, and modern regulatory development focused on the transparency, accountability, and protection of investors.

Pre-Liberalization Era: The Dominance of Family-Owned Businesses

Before the economic liberalization of India in 1991, corporate governance practices were informal in that era, and the business landscape mostly consisted of family-owned enterprises. In that era, these businesses were operated under a framework where ownership and management were handed into the hands of a few promoters. At that time The Companies Act, of 1956 was the primary law that governed corporate affairs but the provisions of this act weren't sufficient they lacked provisions on board independence, disclosure norms, and protection of investors.

During this period, corporate boards were typically controlled by the promoters who had little accountability to minority shareholders. Whereas financial transparency was minimal, with limited requirements for disclosing the details of financial information. Not only financial transparency but also Regulatory oversight was minimal, leading to potential conflicts of interest in decision-making procedures. Since there were some institutional investors and limited foreign investment, during that time there was external pressure to adopt more formal global corporate governance practices.

Post-1991 Economic Reforms: Strengthening Regulatory Oversight

The 1991 economic liberalization marked a significant shift toward India's corporate governance framework. As globalization increases and the involvement of foreign investors in the market there is an urgency to frame detailed regulatory frameworks to ensure the transparency, accountability, and protection of investors.

EVOLUTION AS PER THE FOLLOWING PHASE

1) **Creation of the Securities and Exchange Board of India (SEBI)**

Securities and Exchange Board of India (SEBI) was established on dated, 1992. It was created to regulate the securities market, protect investor's interests, and fair trading. The SEBI Act empowered SEBI to enforce corporate governance norms and disregard fraudulent activities

such as insider trading. Over the years, SEBI introduced strict legal frameworks, requirements, disclosure, and compliance mechanisms for publicly traded companies.

2) **Clause 49 of the Listing Agreement (2000)**

SEBI in the year 2000, introduced Clause 49 of the listing agreement, this clause introduced mandatory corporate governance requirements for the listed companies. This clause made it mandatory to appoint independent directors to the board, compulsory to establish of audit committee, and mandated quarterly financial disclosure. This was introduced in response to the corporate fraud and governance failure that had started surfacing in late 1990.

3) **The Impact of Corporate Scandals (Satyam Scandal, 2009)**

Corporate governance severe lapses were exposed due to The Satyam Computer Services Scandal (2009) which includes financial mismanagement and fraudulent transactions. This scandal led to the major legal and regulatory reform over the years, subsequently resulting in the introduction of the Companies Act, of 2013, this new legislature overhauled corporate governance regulation in India.

LEGAL FRAMEWORK GOVERNING CORPORATE GOVERNANCE IN INDIA

In India corporate governance is regulated by various laws and regulatory bodies, which include The Companies Act, of 2013, SEBI (LODR) regulations, of 2015, RBI Guidelines, and The Competition Act, of 2002. These regulations collectively act as safeguard the interest of the stakeholder and enhance credibility.

The Companies Act, 2013

The previous Companies Act,1956, was replaced by the new Companies Act, 2013, Where new act introduced modern corporate governance principles which comply with global standards. This act has several provisions aimed at enhancing board accountability, transparency, and protection of investors' interests.

Provisions under the act

1) **Composition of the board and independent director (sectoin149 and 152)**

This section states that every listed company must have at least one-third of independent directors who have an unbiased decision-making process and fairness. Independent directors should not have any material relationship with the company to avoid conflict of interest. The act introduced a code of conduct for independent directors, which set standards for professional integrity and ethical decision-making.

1) **Audit Committee (Section 177)**

An Audit Committee must be established in every company to oversee financial reports, risk management internal control, and plans. The committee must be chaired by an independent director and have at least three members, with a majority being independent directors. The audit committee ensures statutory auditors function independently without interference from company management.

2) **Related Party Transactions (Section 188)**

Companies must disclose all related party transactions to prevent insider influence on financial decisions. Significant transactions require shareholder approval and must be reported to the board. This provision prevents conflicts of interest where promoters might engage in unfair financial dealings.

3) **Whistleblower Protection (Sections 177 & 208)**

The Act introduced whistleblower protection mechanisms under which employees can report corporate fraud and mismanagement. Companies must establish vigilance mechanisms for employees to report unethical practices anonymously.

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

The SEBI (LODR) Regulations, 2015 were introduced to streamline corporate governance norms for listed companies. These regulations ensure:

1) **Enhanced Corporate Disclosures (Regulation 30-33)**

Companies must disclose material events that could impact shareholder value. Quarterly and annual financial statements must be filed within prescribed timelines.

2) **Board and Committee Structure (Regulation 17-19)**

Mandatory formation of Nomination and Remuneration Committees to determine CEO and senior executive compensation. Risk Management Committees must assess financial, operational, and reputational risks.

3) **Insider Trading Restrictions (Regulation 9A & 26)**

The regulations prevent insider trading by restricting access to unpublished price-sensitive information (UPSI). Companies must establish an internal code of conduct to prevent the misuse of confidential financial information.

RBI Guidelines Corporate Governance in Banking and Financial Institutions

The Reserve Bank of India (RBI) has issued specific corporate governance guidelines for banks and non-banking financial companies (NBFCs). These regulations focus on:

1) Board Oversight and Fit & Proper Criteria

Banks must ensure board independence with at least 50% of directors being non-executive members. The appointment of directors must follow a fit & proper assessment based on financial expertise, integrity, and professional qualifications.

2) **Risk-Based Supervision**

RBI mandates a three-tiered risk governance structure, ensuring banks actively manage credit, market, and operational risks. Establishment of Chief Risk Officers (CROs) to oversee risk management strategies.

Competition Act, 2002 – Preventing Anti-Competitive Practices

The Competition Act, of 2002 aims to ensure fair competition in the Indian market by preventing monopolistic and anti-competitive practices. It is enforced by the Competition Commission of India (CCI).

Provisions under this act

1) **prevention of Anti-Competitive agreements (section 3)**

This section prevents agreements that strike competition, such as cartels, price fixing, and bid rigging. If any company is seen engaging in such unlawful activities, then this act imposes the punishment and potential debarment from the government contract.

1) misuse of dominant position - This section prohibits companies from misusing their market dominance to impose unfair pricing or limit competition. An example of the strict enforcement of this provision is Google v. CCI (2022) This highlighted the importance of protecting competition and consumer interest under this act.

2) **Merger and Acquisition (sections 5 and 6)**

If any company exceeds a specified financial threshold, then such a company must require approval from the CCI (Competition Commission of India) for the merger. The aim is to prevent an Anti-competition agreement.

CORPORATE SCANDAL'S IMPACT ON CORPORATE GOVERNANCE IN INDIA.

Corporate Scandals played an important role in highlighting the weakness of corporate governance. The Satyam Scandal serves as one of the landmark cases in India's corporate sector, which exposed deep flaws in corporate governance and led to significant regulatory reform. The fraud, which involved systematic financial misrepresentation, auditor negligence, and failure of the board, this fraud not only resulted in the collapse of a once-thriving IT giant but also highlighted critical loopholes in India's corporate governance Legislature.

The Satyam Scandal (2009): A Case Study in Corporate Fraud

The B. Ramalinga Raju was founded the one of the leading IT service companies, named as Satyam Computers Services Ltd. And had an international reputation for providing software solutions. The company's stock was actively traded, and it attracted both international and national investors. However, on dated January 2009, Raju admitted to orchestrating financial fraud for several years, fabricating the company accounts and overstating the profits to project a false image of financial stability. This confession went through the corporate world, leading to a drastic fall in Satyam's stock price, legal actions against top executives, and increased attention from regulators.

Corporate Governance Failures in the Satyam Case

The Satyam case highlighted significant failures in corporate governance. A major issue was financial reporting and accounting manipulation. In the past years, Satyam inflated its revenue and profits by about Rs.7000 cr., creating an illusion of financial strength. The company falsified invoices, bank balances, and customer accounts to reflect profits that never existed. This misled the investors, employees, and regulatory authorities, ultimately leading to one of India's largest financial frauds. It was made possible due to the failure of internal audit mechanisms that allowed such misconduct to persist for an extended period without detection.

Another critical failure was the lack of auditor independence and weak regulatory oversight. The role of PricewaterhouseCoopers (PwC), the company's external auditor, faces several criticisms for not spotting fraudulent accounting practices. The firm relied on the false financial reports by Satyam's management failing to perform the proper checks. The auditor was accused. Of neglecting basic due diligence and solely based on fabricated financial reports that are provided by the company's management. Furthermore, regulatory bodies like the Securities and Exchange Board of India (SEBI)and the Ministry of Corporate Affairs (MCA) did not have a strong enough monitoring system to detect financial irregularities early.

The Satyam Scandal also highlighted weak board oversight and poor internal control. Satyam's board of directors failed in their fiduciary duties and allowed management to manipulate financial statements without raising concerns. There was no proper risk management policy, and executive power went unchecked. The lack of an effective internal audit system and whistleblower mechanisms protection allowed unethical practices to continue for years without intervention. The board's failure to question management decisions and ensure financial integrity highlighted the urgent need for stronger corporate governance regulations.

Regulatory Reforms Post-Satyam Scandal

The Satyam fraud acted as a wake-up call for Indian regulators, promoting significant corporate governance reform aimed at preventing similar corporate mismanagement in the future. Additionally, new measures were introduced to protect investors and strengthen board independence, audit transparency, financial disclosure norms, and protection of investors.

The Companies Act, 2013: Strengthening Corporate Governance Norms

One of the major reforms following the Satyam Scandal was the introduction of the Companies Act, of 2013, which replaced the earlier outdated Companies Act, of 1956, incorporating stricter governance provisions. The major changes include

Compulsory appointment of Independent Directors (Section 149)

This section stated that listed companies were required to appoint at least one-third of independent directors to ensure greater border accountability. To prevent conflict of interest, independent directors were prohibited from having financial or business relationships with the company.

Role of Audit Committees (Section 177)

Audit Committees were given greater authority to review financial disclosures, report irregularities, and ensure the accuracy of financial statements. The law also required the audit committees to include independent directors to maintain objectivity and transparency.

Mandatory rotation of Auditors (Section 139)

To prevent long-term relationships between auditor and client which could lead towards to a conflict of interest the law mandated that companies rotate auditors every 10 years. This section aimed to ensure greater transparency in financial audits and reduce the risk of auditor complacency.

Better Whistleblower protection (Section 177)

This section states that companies were required to establish vigilance mechanisms encouraging employees to report financial fraud or unethical practices without fear of retaliation. Whistleblowers were given legal protection, ensuring that complaints could be investigated thoroughly and corporate misconduct would be exposed early.

SEBI's Role in Enhancing Corporate Governance Post-Satyam

After the Satyam Scandal, The Securities and Exchange Board of India (SEBI) took several steps to tighten disclosure norms, improve investor protection, and strengthen regulatory oversight. This reform includes as under:

Enactment of SEBI (Listing Obligation and Disclosure Requirement) regulation, 2015

This regulation mandated stricter financial disclosure for the listed companies and required greater board transparency and detailed information. It also emphasized the role of independent directors in maintaining corporate integrity and accountability.

Strengthen Insider Trading Regulation (Sebi (Prohibition of Insider Trading) Regulation, 2015)

SEBI imposed stricter measures for monitoring mechanisms to detect insider trading activities. Companies were required to maintain structured digital databases of individuals who had access to unpublished price-sensitive information (UPSI) making it easier to detect insider trading activity.

Implementation of clause 49 of the Listing Agreement

SEBI was revised to increase the responsibility of boards and audit committees in preventing financial fraud. It required companies to conduct regular internal and external audits to identify discrepancies early and strengthen governance controls.

Impact of the Satyam Scandal on Corporate Governance in India

The Satyam Scandal had a significant and lasting impact on corporate governance in India, leading to a series of reforms and changes that shaped the business landscape. Following are some reforms:

Board Member's Accountability: After the Scandal, independent directors now play a more active role in monitoring corporate decisions, ensuring compliance with legal and ethical standards. Boards now face stricter fiduciary responsibilities making them more accountable for the company's actions.

Improved transparency and Financial Disclosure: Companies are now required to publish quarterly financial reports with detailed disclosure about the revenue, assets, and liabilities. The enactment of stricter auditing standards ensures that external auditors independently verify the accuracy of financial statements.

Greater Investor confidence in the Indian market: The regulatory changes following the scandal helped restore trust in India's corporate governance framework. This attracted foreign

investors. Companies also began adopting international governance practices, complying with the framework such as the OECD Corporate Governance Principles.

Evolution of Technology-driven Governance Mechanisms: The use of technology in corporate governance has grown, with the help of Artificial intelligence (AI) and Blockchain in financial audits has been, incorporated into financial audits for real-time fraud detection. Also, companies utilized forensic accounting tools to monitor financial irregularities proactively, significantly reducing the risk of corporate fraud.

DIFFICULTY IN CORPORATE GOVERNANCE IN INDIA

Despite various reforms such as the Companies Act, 2013, SEBI (LODR) regulation, 2015, and various RBI guidelines. Corporate governance in India continues to face various difficulty in structural and operational challenges. Issues related to board independence, insider trading, shareholder rights, regulatory inefficiency, and whistleblower protection undermine effective corporate governance practices.

1) **Board independence and accountability:**

One of the biggest challenges which is still present is the lack of truly independent directors and board accountability. While the Companies Act mandates the appointment of independent directors, their effectiveness is often compromised due to promotor influence. In most Indian businesses, particularly family-owned and promoter-driven firms, independent directors may be aligned with the controlling stakeholders, making them less likely to challenge management decisions.

The selection process for these directors is another issue as many companies retain significant control over appointments which can questions about the autonomy of these directors. While the law emphasizes fiduciary duties and independent oversight, enforcement authorities remain weak along better accountability mechanisms are crucial to addressing the challenges, also strengthening SEBI regulations, ensure transparency in director appointment.

2) **Insider trading and market manipulation**

Another important issue is insider trading and market manipulation, with high-profile cases such as Reliance Industries v. SEBI stating the need for stricter enforcement. Insider trading occurs when individuals with privileged access to confidential corporate information exploit it

for financial gain in the market. It was difficult to address lies in detecting and providing such. violations, as insider trading conduct often remains undetected due to its careful nature. Despite that SEBI introduced the Prohibition of Insider Trading Regulation, in 2015 This regulation enforcement remains challenged due to resources limited services capability. Introduction AI-based monitoring systems, harder punishment, and whistleblower incentives could improve regulatory oversight and prevent unfair trading practices.

3) **Protecting Minority shareholders**

Another crucial corporate governance issue is the protection of minority shareholders, particularly in cases where majority stakeholders have disproportionate control over the decision-making process. One of the landmark cases Tata-Mistry Dispute (2021) has highlighted the issues of boardroom transparency, shareholder rights, and corporate governance failure forefront. Cyrus Mistry's removal as Tata's son's chairman sparked issues about whether independent directors truly safeguard minority shareholder interest or mainly serve the majority agenda. The Companies Act, 2013 under Section 241 and section242 states the mechanisms for addressing shareholder oppression, but ensures greater transparency in decision making, increases shareholder voting rights, and introduces faster resolution mechanisms through the NCLT.

4) **Regulatory overlaps and Compliance**

India's regulatory legal framework regarding corporate governance in India overlaps and is fragmented with various bodies such as SEBI, RBI, The Ministry of Corporate Affairs (MCA), and the Competition Commission of India (CCI0 governing various aspects of the corporate sector, which leads to towards conflicting mandates and excessive compliance need. This fragmented framework results in legal uncertainty enhanced compliance costs, and delays in business conduct. Businesses must guide complex regulatory approval, multiple reporting needs, and overlapping compliance obligations, making governance unnecessarily cumbersome. For this purpose, harmonizing corporate laws and improving coordination between regulatory bodies along with the use of digital automation and AI-driven compliance framework can streamline the process.

5) **Whistleblower protection and ethical issue**

Whistleblower protection and ethical concerns are the major issues in corporate governance in India. Whistleblower plays an important role in exposing corporate fraud despite that many hesitate to report misconduct due to fear of retaliation. The Punjab National Bank (PNB) scam which includes Nirav Modi highlighted how an internal whistleblower raised the issue about the fraudulent transaction, but due to weak administration, the fraud persisted for years. Despite the establishment of the Whistleblower Protection Act, of 2014, remains insufficient in safeguarding corporate whistleblowers as many face harassment, confidential reporting systems and establishing independent oversight bodies to investigate whistleblower complaints are important to reform to enhance ethical corporate practices.

While significant progress in corporate governance in India above challenges indicate that stronger need for a legal framework, and better regulatory coordination. Increasing the protection of investors and technological advancement in compliance monitoring are required to improve governance standards. Addressing discussed issues will not only boost the confidence of investors but also market integrity. But also aligning India's corporate governance framework with international practices boots a more transparent, accountable, and ethical corporate governance.

REFORMS TO STRENGTHENING CORPORATE GOVERNANCE IN INDIA

Strengthening corporate governance in India is essential for maintaining the confidence of investors, enhancing business transparency, and promoting sustainable economic growth. Over the years various reforms held to strengthen the corporate governance framework which includes board accountability, and mitigating risks associated with fraud, insider trading, and ethical violations. The following are some of the most effective reforms that were adopted internationally and recommended for Indian corporations.

1) **Incorporation of International Corporate Governance Standards**

India has adopted the global corporate standards marking a significant step in enhancing the transparency, accountability, and protection of investors in the global market by complying with the legal framework set by global practices such as OECD principles of corporate

Governance, the UK corporate governance Code, and the Sarbanes Oxley Act (SOX) of the United States. One of the major elements of international governance standards is board independence and accountability. The international framework made compulsory a clear separation between ownership and management, requiring companies to establish independent oversight mechanisms. Indian companies must adopt best practices such as CEO chairperson separation, independent audit committees, and transparent shareholder engagement policies.

Furthermore, implementing the environmental, social, and Governance (ESG) framework has become a global push for assessing corporate integrity. SEBI's recent ESG reporting guidelines under the Business Responsibility and Sustainability Reporting (BRSR) framework mark a step towards integrating environmental and social factors into to process of decision-making.

2) **Enhancing the role of the Independent Director**

An independent director plays an important role in ensuring board objectivity, preventing unfair and dominant management, and protecting minority shareholder's rights. Additionally, section 149 of the Companies Act, 2013, mandates that there must be at least one-third of the board members in listed companies have independent directors. However, effectiveness of the independent directors often depends upon the ability to function autonomously without external influence from promoters and majority shareholders.

To enhance the role of independent directors companies must

1) **Independent directors must be independent**: To prevent conflict of interest and to ensure the true independence of the director there must be an independent director who does have not any prior business or financial relationships with the company.

Enhance decision making authority: For the financial oversight, risk management and executive compensation policies independent director should have greater involvement in this.

Adequate training and resources: There must be regular training on corporate governance laws, ethical leadership, and financial compliance required to ensure independent directors remain well-equipped to fulfill their responsibilities.

Limitation of term and rotation policies: Limitations on term and rotation policies of directors prevent long-term affiliation that could compromise independence and decision-making integrity.

2) **Strengthening the Whistleblower mechanisms**

One of the defensive mechanisms for corporate fraud, ethical violations, and financial management is Whistleblower. However, In India, whistleblower protection is insufficient to protect due to the employee's fear of retaliation, job loss, or legal consequences for reporting misconduct in business. Strengthening the Whistleblower mechanisms requires an enhanced legal framework, confidential reporting, and protection against retaliation. The Companies Act, 2013 of section 177 this section states that companies were required to establish vigilance mechanisms encouraging employees to report financial fraud or unethical practices without fear of retaliation. Whistleblowers were given legal protection, ensuring that complaints could be investigated thoroughly and corporate misconduct would be exposed early.

3) To strengthen whistleblower protection

Companies must establish anonymous and confidential reporting systems such as independent hotlines, email reporting systems, and third-party reporting platforms. Along with that stronger legal framework is required to shield whistleblowers from termination from jobs, workplace harassment, or demotion from their positions. For the handling of any complaint regarding whistleblowers regulatory bodies should enforce mandatory disclosures ensuring accountability in corporate governance reporting. Also, companies must establish a whistleblower reward program that fearlessly reports misconduct complaints. There is an international example that provides financial rewards to whistleblowers for reporting securities fraud such as the U.S Dodd-Frank Act.

Compliance and monitoring using AI and Technology

Technology over the year played important role enhancing the corporate governance, such as to detect financial fraud, prevent regulatory violation, and improve internal compliance monitoring system. The use of AI Artificial Intelligence, blockchain, and big data analytics has transformed corporate governance practice by automating risk assessment and fraud detection.

Analyzing large number volumes of financial data to identify suspicious transactions, detect irregular patterns in financial reporting, and monitor compliance with corporate policies is now easy due to AI-powered algorithms. As well as blockchain technology made easy with its immutable and transparent ledger system in preventing accounting fraud and enhanced supply chain transparency. Most of the Indian companies and banks are already using RegTech

(Regulatory Technology) solutions to streamline and comply with SEBI, RBI guidelines, and MCA regulations such as;

1) AI-driven audit systems can automate present-time financial monitoring, and decrease the chance of fraud.

2) Blockchain based contracts ensure transparency in vendor transactions, supply chain agreements, and management of the shareholders rights.

3) A predictive analytical system ensures companies anticipate potential governance failures and decreases the risks before they escalate.

4) To invest in compliance technology regulatory bodies should encourage companies, ensuring quick fraud detection and management of proactive risk.

INSTITUTIONAL INVESTOR'S ROLE IN PROMOTING GOOD GOVERNANCE

Institutional Investors played a significant role in shaping corporate governance practices in India including mutual funds, pension funds, and foreign corporate governance frameworks. Their involvement in decision-making, executive remuneration policies, and voting rights ensures better corporate accountability. The Stewardship Code introduced by SEBI mandates institutional investors to actively engage in governance matters and disclose their voting policies on key corporate decisions. Following is the role played by the institutional investors:

Independence of the board by ensuring stronger governance structures and challenging management decisions when necessary. Promotion of shareholder activism by voting against unethical business practices, excessive executive compensation, and transactions that harm the minority shareholders. Encouraging companies to adopt ESG practices, making sustainability an integral part of corporate strategy. Engaging in long-term investment strategies that prioritize governance improvement rather than short-term profit. For governance failures, institutional investors drive corporate reforms, enhance transparency, and protect shareholder interest by holding companies accountable.

COMPARATIVE ANALYSIS: INDIA V INTERNATIONAL CORPORATE GOVERNANCE FRAMEWORK

Corporate governance legal framework is different country by country with different legal system, regulatory and enforcement mechanisms tailored to their respective economic and corporate environments. While India has made drastic progress in strengthening corporate governance, the following are a comparison with international frameworks highlighting differences and areas for further enhancement.

United Kingdom's Corporate Governance Code

The United Kingdom's Corporate Code established by the Financial Reporting Council (FRC) is one of the leading corporate governance frameworks internationally. It operates on a "comply or explain" approach where companies are required to either follow the governance principle highlighted in this code or explain why they deviate from it. This flexible system allows for adaptability while maintaining standards of corporate governance. This code mandates that there must at least half of the board of a listed company be composed of independent non-executive directors.

That states a clear difference between management and oversight, decreases the risk of conflicts of interest and dominance of the executive. The UK also emphasizes shareholder engagement through active voting rights, with institutional investors playing an important role in board decisions. However, audit committee independence and enhanced risk management systems ensure financial transparency.

Comparative analysis with India

The UK follows a principle that is based on a model that offers flexibility while maintaining strong governance norms as compared to the mandatory compliance approach in India. The UK Code places greater emphasis on institutional shareholder activism by encouraging investors to criticize board decisions. In recent years India has mandated the separation of the roles of chairperson and CEO a governance practice that has long hallmark of the UK code.

The United States and the Sarbanes-Oxley Act (SOX)

On dated 2002, The Sarbanes-Oxley Act was established in response to major corporate frauds such as Enron and WorldCom, significantly strengthening the financial reporting and audit

regulations. The act introduced stringent needs for financial disclosures, independent auditors, and CEO accountability.

Section 302 is an important provision that mandates that the CEO and CFO personally certify the accuracy of financial statements, making them criminally liable for fraudulent reporting. However, section 404 states that companies to establish internal control for financial reporting requirements, suggesting that fraud is prevented at early stages. The Public Company Accounting Oversight Board (PCAOB) was also established under SOX to regulate and inspect audit firms, preventing collusion between auditors and financial statements.

Comparative analysis with India

By taking inspiration from SOX India’s Companies Act, 2013 introduced independent audit committees and mandatory auditors rotation but weaker criminal liability for executives as compared to SOX. The level of enforcement in the U.S. is stronger with severe punishments including imprisonment for executives who are involved in financial fraud. India's compliance costs are relatively lower than SOX while SOX imposes high financial and administrative burdens on companies due to extensive reporting requirements.

Corporate governance OECD principles

The Organisation for Economic Co-operation and Development (OECD) has developed internationally accepted corporate governance standards to guide countries in structuring their corporate governance frameworks. These principles aim at.

1) Rights of shareholders and equitable treatment of minority shareholders

2) Enhancing disclosure and transparency in financial reporting.

3) Encourage ethical business practices and board accountability.

4) Protection of shareholder interest

Several countries, including India, have complied with their governance reforms with OECD guidelines, adopting important elements such as independent investors, whistleblower protection, and enhanced corporate disclosures.

Comparative analysis with India

India's corporate governance frameworks comply with OECD principles but face difficulties in enforcement and practical implementation. While OECD principles advocate stakeholder governance, India's framework remains more shareholder-centric with minimum rights for employees and creditors in governance decision-making. The OECD principle promotes board diversity, and this practice still developing in India.

CORPORATE GOVERNANCE FUTURE IN INDIA

Over the past year corporate governance in India has evolved day by day governance norms must be adopted to face difficulties in business, technology advancement, and international expectations. Several upcoming reforms and trends change the future of corporate governance in India.

Amendment and Reforms

Over the years, to enhance board accountability, transparency, and investor protection various reforms held by regulatory bodies such as RBI, SEBI, and The Ministry of Corporate Affairs (MCA) following are amendments:

To prevent the concentration of power, it is being proposed that the large listed companies separate the roles of chairperson and CEO. Independent directors would be granted more authority. Enabling them to play an important role in governance decisions. Furthermore, the disclosure requirement for related party Transactions (RPTs)would be strengthened to safeguard against financial fraud and misuse of corporate resources.

The implementation of harder punishment for governance breaches is aimed at ensuring stricter compliance with corporate laws. Additionally, the Securities and Exchange Board of India (SEBI) has suggested increasing the involvement of independent investors in governance.

Matters, ensuring that major shareholders actively participate in voting decisions and hold the board accountable.

The implementation of ESG (Environmental, Social, and Governance)

The incorporation of ESG (Environmental. Social, Governance) factors has become an important part of corporate governance in India's reform as well as worldwide. There is

growing pressure from Investors, regulators, and consumers for businesses to adopt sustainable and responsible business practices. In India, SEBI introduced Business Responsibility and Sustainability Reporting (BRSR) guidelines, making it mandatory for the top 1000 listed companies in India to disclose their ESG performance. The following aspects of ESG compliance include

1) Companies must be required to adopt sustainable practices, reduce carbon footprint, and ensure compliance with environmental laws.

2) Every business of companies must focus on the welfare of the employees, workplace diversity, human rights, and community engagement.

3) Required to strengthen board accountability, ensure gender diversity, and adopt ethical business practices.

4) Integrating the ESG governance framework in Indian corporations will benefit from better investor trust, decreased regulatory risk, and long-term sustainability.

Impact of AI and Blockchain on Corporate Transparency

Growing technologies such as Artificial Intelligence (AL) and Blockchain are revolutionizing governance by improving transparency, detection of fraud, and compliance automation. This technology provides the following services:

1) AI-powered systems can process vast amounts of financial data at present time, identifying irregularities and preventing fraud.

2) Blockchain states that transaction records are tamper-proof and immutable, preventing financial manipulation and improving transparency.

3) AI-driven tools can automate compliance with regulations such as SEBI, RBI, and MCA, reducing the burden of manual audits.

The emergence of AL and blockchain significantly reduces corruption, insider trading, and financial fraud statements, improving India's corporate governance framework in India.

CONCLUSION

Over the years, corporate governance in India has undergone major changes, evolving from a weak regulated corporate environment to an improved legal framework that complies with the international legal framework. Various acts also introduced such as The Companies Act, of 2013, SEBI (LODR) regulation, of 2015, and RBI guidelines have played important roles in improving corporate accountability, and sustainability, strengthening board oversight, and improving financial transparency. However, despite the enactment of these Acts several structure and regulatory challenges still face the full realization of a transparent and ethically governed corporate sector. India can strengthen its corporate governance framework by adhering to international frameworks such as the UK Corporate Governance Code, The Sarbanes Oxley Act, and OECD principles.