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ABOUT US

WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal providededicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

CORPORATE GOVERNANCE REFORMS IN INDIA: LEGISLATIVE DEVELOPMENTS AND GLOBAL COMPARISONS WITH THE US AND UK.

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ABSTRACT:

Corporate governance plays a crucial role in enabling companies to behave in an ethical manner, hold them accountable, and support long-term sustainability in both developed and emerging markets. In India, a convergence of corporate scandals and economic liberalization led to a call for vast reforms around improving corporate governance relating to exercises such as transparency, protection for investors, and accountability of boards. This paper critically examines the legislative evolution of corporate governance in India examining the Companies Act, 2013, SEBI (LODR) Regulations, 2015, and the Kotak Committee recommendations. In addition, the paper undertakes a comparative assessment between the segregation of corporate governance in the U.S. influenced by the Sarbanes-Oxley and Dodd-Frank Acts and the U.K. principles-based Corporate Governance and Stewardship Codes. By analysing multiple jurisdictions, this paper highlights regulatory strengths, enforcement gaps, and areas for best practices. The analysis concludes while India is accomplishing considerable harmonization with global standards, the most crucial aspects for the corporate governance regime will be the regulators' independence, consistent implementation, and engagement of stakeholders. Overall, this academic research paper studied India's evolution of corporate governance through reforms leading from traditional models to modern frameworks. The analysis shows India has developed an innovative hybrid model that fuses aspects of Anglo-American models with mitigations to local situations. Reforms (2020-25) have recently emphasized a focus on outing update business regulation, a focus on decriminalizing offenses, enhanced reforms to CSR, and more stringent protections for stakeholders. India's formal system of regulations increasingly resembles the formal governance rules of the world. However, implementation and enforcement remain paramount. The article concludes that continuing to emphasize enforcement capacity, governance systems appropriate to the business specific context, and

technological business governance, will be important to India's governance framework.

Ultimately engaging India's governance framework in sustainable economic growth and positive motivation for global investment.

Key Words: Corporate Governance, Economics, Regularity Framework

I. INTRODUCTION:

Corporate governance refers to the systems, principles and processes by which corporations are directed and controlled. Corporate governance relates to the processes by which companies and the people it organizes are held accountable to shareholders, employees, creditors, regulators and the public more generally. Broadly, corporate governance seeks to nurture a culture of transparency, integrity, accountability and value creation for the benefit of all stakeholders. As the capital markets become inter-related and corporations become more global, the need for corporate governance processes has become increasingly important¹.

The call for strong governance framework has been heightened in light of a number of corporate collapses that have captured the headlines. For example, the failure of Enron and WorldCom in the United States exposed serious systemic governance failures leading to sweeping reforms through the Sarbanes-Oxley Act, in 2002. In India, the Satyam Computer Services scandal initiated a significant shift in corporate governance reflections, drawing attention to weaknesses in board performance (oversight), financial disclosure and regulatory enforcement. Both governance events generated public and government concern and resulted in regulatory responses designed to restore trust in capital markets and to reestablish credibility in corporate institutions².

In India, the unique trajectory of the development of corporate governance has been shaped by the country's economic liberalization that started in 1991, its colonial legal roots, and a family-business dominated ownership model. The process of reform has been incremental but deliberate, and has been influenced by both the inner corporate malaise and global trends.

¹ BOOKSREED D, CORPORATE GOVERNANCE REFORMS IN DEVELOPING ECONOMIES (Oxford University Press 2002).

² Comptroller and Auditor General of India, Corporate Governance (Report No. 8 of 2021) https://cag.gov.in/uploads/download_audit_report/2021/8_C-4%20Corporate%20Governance-061bb1b6d98c843.75300583.pdf accessed [12April, 2025].

Beginning with Clause 49 of the SEBI Listing Agreement in 2000, and onward to the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR), India's governance structure has been gradually aligning more and more with international good practice. More recently, the implementation of the recommendations of the Kotak Committee (2018-2021) and policy changes/reforms during the post-COVID phase (2020-2025) indicate an even stronger commitment to enhancing board independence, audit oversight, and ESG (Environmental, Social, and Governance) disclosures.

Nonetheless, regulatory reforms in India have not seen place in isolation. They continue an ongoing conversation with an existing international framework, typical of that in the United Kingdom, which promotes a principles-based "*comply or explain*" system based on self-regulation, as well as in the United States, where rules-based statutory frameworks such as Sarbanes-Oxley and the Dodd-Frank Act (2010) reign. Each offers different theories of governance, one based on flexibility and disciplined by market forces, the other based on laws and statutory enforcement, that serve as valuable comparisons for examining and evaluating the strengths and weaknesses of India's hybrid approach to corporate governance³. While India's approach to corporate governance is relevant to domestic stakeholders, it is also relevant to the wider interests of global investors, academic comparative legal scholars, and regulators.

As one of the largest, and fastest growing economies, India's balance of global standards versus local realities (concentrated shareholding, under resourced regulators and levels of financial literacy) will provide key lessons for other emerging economies looking to develop governance institutions. Additionally, as Indian corporations will increasingly seek global equity capital markets and impose themselves in cross-border transactions, the legitimacy of the governance standard in India, relative to its competitors, will be the metric on which trust and competitiveness will be assessed⁴.

The purpose of this paper is to critically analyse corporate governance reforms in India and their future trajectory, with particular reference to the legislative developments between 2020-2025, by comparing with governance regimes in the US and UK. Through a detailed analysis

³ Institute of Directors, 'Corporate Governance in India' <https://www.iodglobal.com/blog/details/corporate-governance-in-india> accessed (12 April, 2025).

⁴ CLAESSENS S AND YURTOGLU BB, CORPORATE GOVERNANCE IN EMERGING MARKETS (World Bank Publications 2013).

of legal amendments, regulatory pronouncements and institutional responses.

The primary research questions this paper seeks to address, then, are:

- What has been the trajectory of the corporate governance framework in India? What are the most significant legislative and regulatory milestones?
- What are the salient features of the corporate governance reforms that are taking place in India, especially in the years 2020-2025?
- How does India's corporate governance framework sit alongside the frameworks of the US and UK? Where do the frameworks converge or diverge?
- What are the barriers to the successful implementation and enforcement of governance standards in India?
- What reforms or approaches could strengthen the corporate governance framework in the future in India?

The adopted methodology is:

This research adopts a doctrinal legal method, meaning it analyses primary legal sources, such as statutory law or parliamentary debates, along with secondary sources, such as academic commentary, reports of expert committees (the Kotak Committee Report, 2017), and case law. The paper also draws on comparative legal analysis to identify learning and transferability of best practices across jurisdictions.

In the following chapters, this paper will first provide a literature review that charts scholarly and policy interventions to understand corporate governance. It then will review the emergence of corporate governance legislation pertaining to this topic within India, review significant reforms following 2020, and conduct a comparative analysis with the United States and United Kingdom. Finally, it will provide a critical discussion of governance in India's quickly changing corporate space and provide recommendations to ensure effective governance.

II. LITERATURE REVIEW

In the past several years the corporate governance domain has been becoming an increasingly active area for scholarship, driven by the interrelation of local and global forces of markets, regulation and stakeholder expectations. Scholars such as **Thomas Clarke (2007)** have provided a strong basis for advancing our understanding of international corporate governance

by considering governance systems across jurisdictions, and clearing examining the particular impact of a series of crises: the Asian Financial Crisis, the Global Financial Crisis and crises in companies such as Enron and Satyam⁵, these crises resulting in governments and regulators desiring to develop or modify the governance framework provided by **Schleg paper** India's hybrid system, Clarke's comparative method demonstrates how governance frameworks, oscillate between shareholder and stakeholder models of governance, which is useful for understanding India's hybrid system. In addition, **A.C. Fernando (2011)** provides a comprehensive overview of the governance systems in India, what a governance system looks like in India, and the shift from Companies Act of 195 at the Companies Act, 2013.

Fernando highlights structural issues local to India: Challenger, the entrenched power of promoters, the lack of protections for minority shareholders, transparency in disclosures. This literature is also enhanced by recent work by **Umakanth Varottil and Afra Afsharipour**, which notes the disconnect between a legal reform in India that appears to have formal convergence with global reform, but corporate conduct remains unchanged. Their work on entrenched patterns of ownership and board inefficiencies hints to the inadequacy of rule governance in the country with deeply entrenched business families. From a comparative perspective, **Christine Mallin's** meta-work on governance (2019) helps clarify how governance principles are implemented differently within systems; UK's, comply or explain versus US's, a rigid statute-based system with frameworks like, **Sarbanes-Oxley Act (2002)**⁶ and Dodd-Frank Act (2010). Her work also contributes to understanding of how India is positioned somewhere between these two; its regulatory framework is evolving rapidly, but its enforcement is still lagging.

This perspective is important for understanding how both Indian reforms, specifically the reforms under SEBI's Listing Obligations and Disclosures Requirements (LODR), look increasingly to international standards as its key frame of reference but are often challenging to implement. The Kotak Committee Report (2017), is a significant part of India's governance narrative, and made recommendations for over 80 reforms, including the separation of roles of CEO and Chairperson, improved disclosure requirements, more powerful audit committees and more effective oversight of related party transactions. Many of these governance changes were implemented in the reforms made by SEBI in 2018–2020 representing a movement towards

⁵ Satyam Computer Services Ltd Fraud Case [2009] SC.

⁶ Sarbanes-Oxley Act of 2002, Pub L No 107-204, 116 Stat 745.

more accountable and transparent board governance for India's listed corporations. The OECD Principles of Corporate Governance (2015)⁷ have continued to serve as a global policy reference for many countries standardizing governance structure and intention with best international practice.

India's growing focus on Environmental, Social, and Governance (ESG) disclosures, Business Responsibility and Sustainability Reporting (BRSR), and board diversity is consistent with wider trends globally. However, the literature lacks a detailed examination regarding recent reforms (2020-2025) in India, especially post-COVID and given the digital revolution, that reshape governance in practice. Although some prior studies provide useful historical and comparative stories, few examine critically whether contemporary governance initiatives in India have efficacy or are consistent with the ESG-prescriptive global regimes.

The aim of this study will address this gap by providing a doctrinal and comparative approach to analysing India's most recent governance reforms and onward check whether the reforms are convergent with extra-territorial proximity to US and UK standards. This research will foreground change in the law in the last five years in context, and situate emerging reforms in a broader academic discourse, providing a timely legal contribution to the expanding literature on modern corporate governance.

III. HISTORICAL DEVELOPMENT OF CORPORATE GOVERNANCE IN INDIA

In India, early works on corporate governance focused on issues of colonial legacy and the post-independence priority of a state-lead development strategy. Reed (2002) identified strong state control as the main feature of the corporate governance frame in the 1950s and 1960s because of the socialist preferences of the economic policy. Around this time, the Companies Act, which articulated the fundamental governance obligations for companies, was enacted in 1956, although it did not have much to say regarding the protection of minority shareholders or board independence⁸. The economic liberalization of 1991 represented a sea change in India's corporate governance. Khanna and Palepu (2000) note how liberalization subjected Indian firms to international competition and capital markets revealing governance prerogatives. They also note that family-owned business groups (i.e., business houses) revised

⁷ OECD Principles of Corporate Governance (OECD Publishing, Paris 2015).

⁸ Satyam Computer Services Ltd Fraud Case [2009] SC.

their governance adapted to these pressures while concentrated ownership and control remained the foundations of their firms.

Many researchers have explored the development of the corporate governance regulatory framework in India. Chakrabarti, Megginson, and Yadav (2008) offer a detailed account of significant reforms, such as the establishment of the Securities and Exchange Board of India (SEBI) in 1992 and Clause 49 of the Listing Agreement adopted in 2000, which drew from global best practices. They also provide insights into two key early attempts to codify corporate governance standards, the voluntary code of corporate governance issued by the Confederation of Indian Industry in 1998 and the recommendations of the Kumar Mangalam Birla Committee in 1999, which were summarized and built on the Confederation of Indian Industry code. These initiatives occurred prior to the development of the Narayana Murthy Committee in 2003⁹ and the J. J. Irani Committee in 2005¹⁰, whose recommendations contributed to future reforms. The Companies Act, 2013 has received considerable scholarly attention, with Varottil (2014) suggesting it represented a paradigm shift, which implemented compulsory provisions such as board independence, related party transactions, and corporate social responsibility. He notes the law's intention to safeguard stakeholder interests, whilst preserving some degree of shareholder primacy.

Corporate governance reforms in India have been described as being "at a crossroads; while corporate governance codes have been drafted with a deep understanding of the governance standards around the world, there is still a need to focus on developing more appropriate solutions that would evolve from within and therefore address the India-specific challenges more efficiently". This tension between global standards and local adaptation remains a central theme in the literature¹¹.

The literature on corporate governance in India borrows on a number of theoretical frameworks. Agency theory, which highlights the principal-agent problem between shareholders and managers, has been widely applied to corporate governance literature. However, scholars such as Claessens and Yurtoglu (2013) have pointed out that in emerging

⁹ Narayana Murthy Committee Report on Corporate Governance (SEBI, 2003).

¹⁰ J.J. Irani Committee Report on Company Law (Ministry of Corporate Affairs, 2005).

¹¹ Balasubramanian N, Black BS and Khanna V, 'Firm-level Corporate Governance in Emerging Markets: A Case Study of India' (2010) 9(1) Emerging Markets Review.

markets (India), the bigger agency problem is between controlling and minority shareholders, which is a result of concentrated ownership. Institutional theory has been used to understand how governance practices are shaped by formal and informal institutions. Afsharipour (2009) focuses on the institutional context in India, including the legal framework, regulatory capacity and cultural norms, and considers how these impact corporate governance reforms. Resource dependence theory has also been applied by those who view the board as a resource to access important external dependencies, and in this case, has been used to explain the high incidence of politically connected directors in Indian firms (e.g. Khanna and Palepu, 2005).

IV. REFORMS OF THE LEGISLATIVE FRAMEWORK IN INDIAN CORPORATE GOVERNANCE.

The corporate governance system in India has been influenced by its colonial legal heritage, the economic reform of 1991, having promoter-driven firms and families with business groups. Corporate governance has evolved from the governance framework embedded in the Companies Act, 1956, into a fundamentally different governance framework post-liberalization, as increasing foreign capital and international investors demanded greater transparency, accountability, and regulatory oversight. A watershed moment occurred with the establishment of the Securities and Exchange Board of India (SEBI)¹² in 1992. In 2000, SEBI announced Clause 49 of the Listing Agreement, which created a voluntary governance framework that stipulated principles around governing boards, board composition, and audit committees for listed companies¹³. These corporate governance principles became legally mandated under the Companies Act, 2013, introducing a new regulatory level to align Indian corporate laws with global norms, including the duties of directors, the role of independent directors, related party transaction controls, and Corporate Social Responsibility provisions under Section 135.¹⁴

Despite some progress in the law, the corporate governance architecture in India has some governance issues. The chunk of Indian corporates are promoter led, which engenders concentrated shareholding and creates principal–principal relationships, leading to potential conflict between majority and minority shareholders. This creates a lack of independence and

¹² Securities Exchange Board of India Regulations on Whistleblower Mechanisms [2021].

¹³ AFSHARIPOUR A, CORPORATE GOVERNANCE INNOVATIONS IN INDIA (Cambridge University Press 2009).

¹⁴ CS Sana Rehman, 'Corporate Governance in India' (Institute of Directors, 5 November 2024) <https://www.iodglobal.com/blog/details/corporate-governance-in-india>.

reduces shareholder activism at the board, as related party transactions may not be conducted at arm's-length. The regulating institutions, including SEBI, The Ministry of Corporate Affairs (MCA), and the National Company Law Tribunal (NCLT), have worked continuously to improve compliance and accountability in the corporate environment. The introduction of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 consolidated many of the listing norms and has continually worked to update those norms to be in line with continual change in the corporate governance environment.¹⁵ The Kotak Committee Report (2017) was an important milestone that resulted in reforms including more directors on the board, greater responsibilities of the audit committee, enhanced disclosure norms, and a requirement for large listed companies to separate the roles of the CEO and Chairperson.

More recently, India has seen strong regulatory pushes toward ESG (Environmental, Social, and Governance) integration, digital governance, and stakeholder-inclusive decision-making from 2020-2025. The development of the Business Responsibility and Sustainability Reporting (BRSR) framework that was mandated for the top 1000 listed companies in 2023 indicates India's commitment to convergence with global ESG standards of reporting. SEBI has tightened norms around related party transactions, requiring shareholder approval before any such transactions, and is focusing on better disclosure. There is increased permitted activity toward shareholder activism, proxy advisory firms are more permissive, and boards are paying more attention to diversity, especially in regard to women appointments. Challenges continue to exist, including lack of effective enforcement, limited non-executive independence, lack of whistleblower protections, compliance-based culture around governance versus a values-based culture, etc.

The corporate governance system in India is still developing in its quest for better alignment with internationally recognized good practices and with local (corporate) realities. The structural changes being undertaken suggest the shift away from prescriptive rule-based governance toward a principle-based and stakeholder engaged governance system¹⁶. Nonetheless, a shortfall in implementation, especially with respect to enforcement and with the boards' effectiveness suggests that more enhancement of institutions and a cultural shift away from the lingering of governance reforms will be required to take hold to better realize the

¹⁵ Journal Articles Khanna T and Palepu K, 'The Future of Business Groups in Emerging Markets: Long-run Evidence from Chile' (2000) 43(3) Academy of Management Journal 268.

¹⁶ Carroll AB and Shabana KM, 'The Business Case for Corporate Social Responsibility: A Review of Concepts' [2010] International Journal of Management Reviews.

potential of India's corporate governance framework¹⁷. However, a gap in implementation, particularly in enforcement and board effectiveness demonstrates the need for further institutional strengthening and cultural change in order to leverage the full potential of India's corporate governance framework.

V. FRAMEWORK IN UNITED STATES CORPORATE GOVERNANCE.

In the past several decades, the U.S. has seen considerable changes in corporate governance law generated by corporate scandals, a series of financial crises, and more scrutiny around accountability and transparency in corporate behaviour. Corporate governance in America has typically been governed by state corporate laws (most notably Delaware Corporate Law) and, to a lesser degree, federal securities law regulated by the Securities and Exchange Commission (SEC). Major reforms such as the Sarbanes-Oxley Act (SOX) of 2002 constituted a turning point for corporate regulation in the United States.

Passed in response to monumental accounting frauds such as Enron and WorldCom, SOX was intended to restore confidence among investors by increasing the accountability of boards of directors and corporate managers. It created new requirements related to internal controls, the independence of auditors, and the certification of financial statements by CEO and CFOs, as well as the establishment of the Public Company Accounting Oversight Board (PCAOB) responsible for monitoring audit activity. *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* was another major reform that stemmed from the 2008 global financial crisis. It created additional regulatory oversight through the creation of the Financial Stability Oversight Council (FSOC) and the Consumer Financial Protection Bureau (CFBP) and also required increased reporting regarding executive compensation and "conflict minerals" related to special shareholders' rights.

Additionally, the "say-on-pay" measure was enacted, which gave shareholders a non-binding vote on executive pays packages. These reforms marked a collective movement towards a more federalized governance structure with greater emphasis on accountability, risk management, and transparency. In the past few years, U.S. governance reform has expanded to include ESG (environmental, social, and governance) issues. The SEC, responding to growing demands

¹⁷ Chakrabarti R, Megginson WL and Yadav PK, 'Corporate Governance in India' (2008) 20(4) Journal of Applied Corporate Finance 59.

from advocacy groups and institutional investors, has taken some steps toward requiring climate-related disclosures and improved diversity reporting on corporate boards. Some reforms addressed issues such as overseeing cyber risk, whistleblower protections, and the regulation of special purpose acquisition companies (SPACs). Importantly, shareholder activism has emerged as a parallel movement to governance reform, rooted in the perspective of institutional investors such as BlackRock and Vanguard regarding long-term value creation and sustainability measures¹⁸.

As a result, the corporate governance system of the United States has now evolved into a combination of strong legislative regulation, market discipline, and shareholder empowerment.

While some critiques argue that overregulation may restrict innovation and create a compliance fatigue on the part of corporations, supporters cite the importance of these reforms concerning the need to respect critical investors and restore trust and integrity to the corporate economy because of the extreme globalization and digitization of today's business landscape. Whatever the position taken on the corporate governance reforms, the trajectory of U.S. corporate governance reform shows a responsive, adaptive legal system that responds to emerging concerns and stakeholder interests¹⁹.

VI. FRAMEWORK IN U.K CORPORATE GOVERNANCE.

The aspects involving in the United Kingdom talks about the corporate governance,²⁰ it recognized as one of the most established and principled systems, operating on a "***comply or explain***" basis which cleverly balances flexibility and accountability between state and investor. The centrepiece of the UK governance framework is encapsulated in the UK Corporate Governance Code which was first issued in 1992, subsequently revised in light of the findings of the *Cadbury Report* - editions of which continue to be issued by the Financial Reporting Council (FRC). The most recent edition in 2018 applies to all companies listed on the premium segment of the London Stock Exchange and seeks to set out a best practice code in the areas of board leadership, effectiveness, accountability, remuneration and shareholder

¹⁸ Singh A and Zammit A, 'Corporate Governance, Crony Capitalism and Economic Crises: Should the US Business Model Replace the Asian Way of "Doing Business"?' (2006).

¹⁹ Holly J Gregory, Rebecca Grapsas and Claire H Holland, 'Corporate Governance and Directors' Duties in the United States: Overview' (Practical Law, 1 September 2021) <https://law.stanford.edu/wp-content/uploads/2023/01/Corporate-Governance-and-Directors-Duties-in-the-United-States-Overview.pdf> accessed [12 April, 2025].

²⁰ Cadbury Committee Report on Financial Aspects of Corporate Governance (UK Government, London 1992).

relations.

Unlike prescriptive or rules-based governance systems employed in countries like the United States, the UK Code is a soft law-based regime, where companies are expected to either comply or explain their non-compliance from the applicable principles of governance. Soft law tends to support not only an effective Code, but also encourages further innovation and responsiveness of firms. The governance framework in the UK is established upon a unitary board structure, where executive and non-executive directors all form a collective. Among other principles are emphasis on board independence and diversity, separation of the Chair and CEO roles, and regular performance evaluations.

The Companies Act 2006 set the foundation of company law in the UK and it also codified directors' duties, such as the duty to promote the success of the company, having regard to a range of stakeholders, including employees, the community, and the environment, reflecting a broader stakeholder emphasis in governance practices. It further enhanced provisions on disclosure, transparency, and shareholders rights to ensure that companies make accurate and timely disclosures, largely regarding remuneration, financial statements, and matters requiring shareholders approvals. The UK Stewardship Code also provides guidelines for institutional investors in the UK, originally developed in 2010 and amended in 2020, to better promote responsible ownership practices by asset managers and institutional shareholders.

This combined emphasis on corporate responsibility and stewardship from investors provides an appeal that encourages conversations, long-termism, and sustained value-generation. The UK has also improved its governance in response to pressures and difficulties. Most notably, governance reform within companies after the global financial crisis of 2008 focused on risk management and reporting by boards, accountability of senior management, and audit quality. In the last few years, failures of several high-profile corporates, including Carillion and BHS, have emerged in discussions on the independence of audits, corporate purpose, and value-for-money in regulation. In direct response to this, the UK government is organising steps to implement significant reforms, including a new regulatory body (the Audit, Reporting and Governance Authority (ARGA) to replace the FRC) to achieve better regulatory outcomes. Of note, the UK governance environment has also seen geographical adoption and interest in ESG (Environmental, Social, and Governance) factors as part of corporate governance. In recent years, new regulations were introduced in the UK under the Companies (Miscellaneous

Reporting) Regulations, 2018 to require the board of a company, with over 250 employees, to report on their policy for diversity in the boardroom, environmental impact, and ethical behaviour²¹.

In conclusion, the UK's corporate governance system epitomizes a sophisticated balance of trust, market discipline, and principles-based regulation. Despite critical discourse—most notably about the extent to which “comply or explain” guarantees compliance, and the incredibly low representation of women and minorities on boards—it continues to be a model of governance reform for many other countries. The UK's acknowledgment of the importance of transparency, shareholder engagement, and board effectiveness has shaped corporate practice in the UK and influenced the OECD Principles and code governance frameworks across many Commonwealth countries. With corporate governance continuing to develop in the context of digital change, climate change, and geopolitical uncertainty, the UK will still be in the spotlight of debates about international standards of governance and increasingly flexible and stakeholder-conscious framework.

VII. COMPARATIVE ANALYSIS OF CORPORATE GOVERNANCE:

INDIA, US, AND UK

Corporate governance models vary widely across jurisdictions, resulting from differences in legal traditions (e.g., civil justice, common law), market structures, levels of regulation, and cultural values. For example, the corporate governance regimes of India, the US, and the UK can be placed in three different categories. India has a hybrid model of governance that draws influence from civil and common law traditions. The US has a model of governance that is shareholder-centric, driven by a rule-based legal framework²².

The UK has a governance model that is based on principles of regulation that are also sensitive to stakeholders. The US has a governance model that is market driven. US corporate governance is a market-driven governance model with characteristics of dispersed ownership and a strong securities regulatory environment, like the SEC, focused on transparent securities

²¹ HOFSTEDE G, CULTURE'S CONSEQUENCES: COMPARING VALUES, BEHAVIORS, INSTITUTIONS (Sage Publications 1980).

²² Single Source Regulations Office, Corporate Governance Framework (29 October 2024) <https://www.gov.uk/government/publications/ssro-corporate-governance-framework/corporate-governance-framework--2> accessed [12 April, 2025].

holdings²³. The Sarbanes-Oxley Act (2002) was a legislative effort to strengthen the integrity of the financial markets in the wake of the corporate scandals of the 1990s and early 2000s by enhancing the independence of the auditor, enhancing executive accountability, and extending shareholder rights. In this model, the emphasis is on investor protection with an enhanced focus on minority investor protection through disclosure, internal control, and transparency. Additionally, the board of directors is expected to be independent, and shareholder activism through the use of institutional investors and hedge funds as shareholders are also defining characteristics of the corporate governance in the US²⁴.

In contrast, the UK employs a principles-based system that focuses on the UK Corporate Governance Code under a "comply or explain" approach. This means that companies can determine their own governance and provide an explanation of why they have diverged from the Code. The UK system tries to balance the rights of shareholders with other stakeholder concerns and focuses on board effectiveness, accountability, transparency, and engagement with stakeholders. Independent directors and audit committees play a significant role within that system²⁵. More recently, the UK has put emphasis on greater remuneration transparency and long-term accountability. India's governance regime displays elements of the US and UK legal systems but is informed by its unique institutional and socio-economic context. It has aspects of the rules-based approach associated with the US and the statutory basis (e.g. Companies Act, SEBI regulations) and resembles the UK/board-based governance approach with the "comply or explain" model, as set out in Clause 49 and again in SEBI's Listing Regulations. However, the governance features of India, including concentrated ownership and family-run businesses, produce governable outcomes that differ from, and are influenced by, the norm of dispersed shareholding in the US and UK. India's legal framework has a number of extreme provisions and strong legal mandates but does not seem to have the capacity to enforce or apply the law fully, putting a gap between policy and practice.

With regard to a heightened emphasis on ESG considerations, diversity on corporate boards, and shareholder engagement and collaboration, there are noticeable parallels in the three

²³ La Porta R et al., 'Law and Finance' (1998) Journal of Political Economy.

²⁴ oe MJ, Political Determinants of Corporate Governance (Harvard University Press).

²⁵ S Yesaswi Dora and Venkateswara Rao Bhanotu, 'A Study on Corporate Governance Practices in USA, UK & India: A Comparative Analysis' (2023)

https://www.researchgate.net/publication/376191048_A_STUDY_ON_CORPORATE_GOVERNANCE_PRACTICES_IN_USA_UK_INDIA_-_A_COMPARATIVE_ANALYSIS accessed [12 April, 2025].

countries discussed. However, there are also considerable differences with respect to shareholder activism, the role of independent directors, and the effectiveness of enforcement regimes²⁶. The US, and UK experience well-organized investors and relatively efficient enforcement as compared to India, where the oppressive influence of capture; a compliance-centered and heavily procedural approach; and a slow civil process leads to poor enforcement. The governance model of India appears to be an evolving attempt to "translate" global governance standards into a country's own context. Although parallels exist structurally, business behaviour is still likely to be shaped by the level of institutional maturity, market discipline, and culture²⁷.

VIII. RECOMMENDATION²⁸

- **Improving Company Board Independence and Diversity:**
Calls for enhancing the genuine independence of directors, removing politics from appointments, increasing diversity in gender and professions on boards, and splitting the role of CEO and Chairperson.
- **Improving Regulatory Oversight and Enforcement:**
Identifies the gaps in SEBI and the Ministry of Corporate Affairs enforcement mechanisms, and calls for improving institutional capacity, coordination, and proactive monitoring.
- **Improving Auditors and Financial Disclosure Mechanisms:**
Calls for enhancing the independence and accountability of auditors and audit committees, and reforming mechanisms to promote integrity in financial disclosures.
- **Protecting Minority Shareholders and Inclusion:**
Describes the need to protect minority interests, empower shareholders to exercise their rights through courts, and enhance transparency for related party transactions.
- **Aligning with International Best Practices**
Suggests aligning India's corporate governance frameworks with international best practices, including OECD Principles and the "comply or explain" approach from the UK, while allowing for Indian corporate structures and situations.
- **Building Institutional Capacity and Education:**

²⁶ Singh D and Zammit A, 'Corporate Governance Reforms in India: Lessons from Satyam Scandal'[2009] Journal of Corporate Law Studies.

²⁷ The Legal School, 'Principles of Corporate Governance' (The Legal School, 2023) <https://thelegalschool.in/blog/principles-of-corporate-governance> accessed [12April, 2025].

²⁸ Ministry of Finance Report on India's \$5 Trillion Economy Vision [2024].

Calls for the professionalization of key stakeholders in governance through implementing mandatory education and certification programs.

- **Creating a Corporate Governance Authority:**

Suggests the creation of a specialized body or a strengthened division within SEBI/MCA that would coordinate the reform on corporate governance, ensure compliance, and resolve complaints in a timely manner.

IX. CONCLUSION

Governance stands at the forefront of modern business, impacting the internal organization of the company and the associated trust of external stakeholders as well as the integrity of the market. The current article evaluated India's constantly changing governance environment particularly during the 2020-2025 parliamentary term with an eye toward global reforms and emerging models of comparison with the US and UK. India has made significant strides toward global standards however challenges on the ground due to implementation and systems inefficiencies warrant a more ambitious reform agenda.

The US governance model is rules-based requiring compliance with extraneous federal laws such as Sarbanes-Oxley and Dodd-Frank while the UK model is principles-based from a governance perspective with a "comply or explain" approach from its Corporate Governance Code. India's new hybrid model post-2020 as endorsed by the Company Act of 2013 and SEBI is an excellent opportunity to introduce a better governance model. A hybrid model however can also have potential enforcement ambiguities if the promoted boards dominate positive outcomes²⁹.

The failures of colonial laws and the family business model are blamed for India's governance reforms³⁰. However, governance reforms reflect increased awareness of real or perceived ongoing corporate fraud and scandals, greater shareholder activism, and attention to Environmental, Social, and Governance (ESG)³¹ issues in corporations. SEBI and other regulatory agencies have begun to address several governance issues, including board

²⁹ A Shivani, 'Corporate Governance: Comparative Study' (College of Law, KLU, Vaddeswaram).

³⁰ 'Corporate Governance Laws and Regulations USA 2024–2025' (ICLG, 15 July 2024) <https://iclg.com/practice-areas/corporate-governance-laws-and-regulations/usa> accessed [12 April, 2025].

³¹ Anjali Sharma, 'Exploring the Attributes of Corporate Governance and Compliance with Corporate Laws to ESG Disclosure: Evidence from Construction & Engineering Sectors in India' (2025) 8(2) International Journal of Social Science and Human Research <https://www.ijsshr.in/v8i2/54.php> accessed [12 April, 2025].

independence, gender diversity on boards, and transparency regarding related party transactions, and ESG disclosures, though there are still many unresolved governance issues.

Addressing these shortcomings necessitates continuing to empower auditors and regulators, progressing to more diverse and professional board structures, supporting elevated quality and transparency in audits, and enhancing voluntary compliance with ESG disclosures. Regulatory centralism and capacity building will begin to shift the culture of governance.

Simply, corporate governance in India requires the law and adjudication to move beyond the statutory framework to address institutional and cultural complexities. Continuous reform will not only remain a legal imperative but, also, an imperative for a productive economy and the sustainability of the corporation in the long run.

