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With this thought, we hereby present to you

# **CORPORATE GOVERNANCE CHALLENGES: INSIGHTS FROM THE INDIAN CORPORATE SECTOR**

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## **Abstract**

This study delves into the intricate landscape of corporate governance challenges within the context of the Indian corporate sector. As corporate governance plays a pivotal role in maintaining transparency, accountability, and ethical practices within organizations, understanding its challenges is of paramount importance. Through a comprehensive analysis of the Indian corporate landscape, this research aims to identify and elucidate the multifaceted obstacles that corporations encounter in upholding effective governance. By exploring these challenges, the study not only enriches the academic understanding of corporate governance in a developing economy but also provides actionable insights for policymakers, business leaders, and stakeholders striving to enhance corporate governance practices in the Indian context. Ultimately, this research underscores the need for adaptive and context-specific governance frameworks to address the diverse challenges faced by Indian corporations and foster sustainable business growth. It aims to shed light on the unique hurdles that Indian companies face in maintaining effective governance mechanisms and to offer insights into potential strategies for improvement. By examining the corporate governance landscape in India, this paper aspires to contribute to the ongoing dialogue on improving governance practices, thereby fostering an environment of trust, accountability, and sustainable growth in the Indian corporate sector.

**Keywords:** Corporate Governance, Challenges, Business landscape, Regulatory authority, Shareholder activism

# Introduction

Corporate governance is a cornerstone of modern business practices, ensuring that companies are managed and controlled in a manner that safeguards the interests of various stakeholders while promoting transparency, accountability, and long-term sustainability<sup>1</sup>. In the context of the Indian corporate sector, where economic growth and industrial expansion have been robust, the dynamics of corporate governance present a complex array of challenges and opportunities. India's corporate sector has exhibited remarkable growth and transformation in recent decades, evolving from traditional family-owned enterprises to multinational conglomerates. However, this growth has not been without its share of corporate scandals, governance lapses, and regulatory reforms. As a result, there is a growing recognition of the need to address various governance challenges to foster a business environment that not only attracts investment but also ensures sustainable and ethical business practices.

This paper traverses through a range of corporate governance dimensions that require attention in the Indian context. It explores issues such as board composition and independence, related party transactions, shareholder activism, disclosure and transparency, the regulatory framework, corporate social responsibility, fraud and corruption, ownership structure, and the emerging challenges posed by digital transformation. It examines the role of regulatory bodies like the Securities and Exchange Board of India (SEBI) and their efforts to enhance corporate governance standards. Furthermore, it explores the implications of corporate governance practices on corporate performance and sustainability, and the potential for these practices to contribute to India's economic growth and development. This study aims to shed light on these challenges by conducting a comprehensive analysis of corporate governance practices and their impact on Indian corporations. In this research analysis in the existing laws, rules, regulations, case law, and other legal sources for understanding the issues and challenges of Corporate Governance in India.

## Origin of Corporate Governance

The origins of corporate governance can be found in ancient civilizations such as ancient Rome and medieval Europe, where trade and commerce were conducted by organized groups of individuals. These early business entities laid the foundation for some governance practices by establishing rules for decision-making and resource allocation. The advent of the Industrial

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<sup>1</sup> Critical analysis of the legal framework of corporate governance in India, IJCLP (Aug. 14, 2022), <https://ijclp.com/critical-analysis-of-the-legal-framework-of-corporate-governance-in-india/> (last visited Aug 30, 2023).



Revolution in the 18th century brought about significant changes in business structures. As businesses grew larger and more complex, there arose a need for structured mechanisms to manage these enterprises. However, governance during this period was often concentrated within a small group of owners or managers. In the 20th century, with the rise of corporations and the separation of ownership from control due to dispersed ownership and the emergence of professional management, issues related to accountability, transparency, and the protection of minority shareholders gained prominence. This separation led to a principal-agent problem, where shareholders needed mechanisms to ensure that managers acted in their best interests.

High-profile corporate scandals like Enron and WorldCom cases in the early 2000s highlighted the weaknesses in governance structures. These scandals exposed lapses in financial reporting, risk management, and ethical behaviour, leading to a global focus on the need for improved corporate governance standards. The increasing interconnectedness of global markets and the 2008 financial crisis underscored the need for effective corporate governance to ensure financial stability and prevent systemic risks.

Organizations like the Organisation for Economic Co-operation and Development and the International Corporate Governance Network developed principles and guidelines for corporate governance practices to be adopted at a global level. These frameworks aimed to enhance transparency, accountability, and shareholder rights. In response to corporate failures and public demand for accountability, many countries introduced regulatory reforms to strengthen corporate governance practices. For example, the Sarbanes-Oxley Act in the United States and the Companies Act in the United Kingdom implemented changes to improve financial reporting and accountability<sup>2</sup>.

Over time, corporate governance has expanded to encompass a wider range of stakeholders beyond just shareholders<sup>3</sup>. Consideration of the interests of employees, customers, communities, and the environment has become an integral part of modern corporate governance practices. Today, corporate governance is a multifaceted field that encompasses legal, regulatory, ethical, and social considerations. It continues to evolve in response to the changing business landscape, technological advancements, and societal expectations, with an emphasis on promoting

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<sup>2</sup> The Impact of the Sarbanes-Oxley Act of 2002, INVESTOPEDIA, <https://www.investopedia.com/ask/answers/052815/what-impact-did-sarbanesoxley-act-have-corporate-governance-united-states.asp> (last visited Sep 8, 2023).

<sup>3</sup> Megan O'Neil, *The Significance of Corporate Governance*, (2022), <https://www.careeraddict.com/the-significance-of-corporate-governance> (last visited Aug 29, 2023).

transparency, accountability, and sustainable business practices.

## **History of Corporate Governance in India**

The history of corporate governance in India traces its evolution through various stages influenced by economic, legal, and global developments. The journey highlights India's efforts to establish effective governance practices that align with its unique business landscape and regulatory framework. Before India's independence in 1947, the corporate sector was primarily dominated by family-owned businesses and conglomerates, following traditional business practices. Governance was centred around the principles of family control, with limited regulatory oversight<sup>4</sup>. After independence, the government played a significant role in shaping the corporate landscape through its regulatory policies and control mechanisms. The Companies Act of 1956 was enacted to govern the incorporation, management, and dissolution of companies in India<sup>5</sup>.

The early 1990s marked a turning point with economic liberalization policies, opening up the economy to global markets and private investment. This era witnessed an influx of foreign direct investment, the emergence of private sector enterprises, and the listing of companies on stock exchanges. The Securities and Exchange Board of India (SEBI) was established in 1992 as the regulatory authority for the securities market, contributing to enhanced governance and transparency. The first was by the Confederation of Indian Industry (CII), India's largest industry and business association, which came up with the first voluntary code of corporate governance in 1998. The second was by the SEBI, now enshrined as Clause 49 of the listing agreement. The third was the Naresh Chandra Committee, which submitted its report in 2002. The fourth was again by SEBI — the Narayana Murthy Committee, which also submitted its report in 2002. Based on some of the recommendation of this committee, SEBI revised Clause 49 of the listing agreement in August 2003. Subsequently, SEBI withdrew the revised Clause 49 in December 2003, and currently, the original Clause 49 is in force<sup>6</sup>.

The early 2000s saw corporate scandals like the Satyam scandal in 2009, which exposed governance failures and fraudulent practices. The government and regulatory bodies responded with reforms aimed at strengthening corporate governance, including amendments to the

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<sup>4</sup> Evolution Of Corporate Governance In India, <https://legalserviceindia.com/legal/article-10753-evolution-of-corporate-governance-in-india.html> (last visited Aug 24, 2023).

<sup>5</sup> Evolution of Corporate Governance in India | SCC Blog, <https://www.sconline.com/blog/post/2019/11/13/evolution-of-corporate-governance-in-india/> (last visited Aug 24, 2023).

<sup>6</sup> 109.pdf, [http://junikhayatjournal.in/no\\_1\\_Online\\_21/109.pdf](http://junikhayatjournal.in/no_1_Online_21/109.pdf) (last visited Aug 30, 2023).

Companies Act and SEBI guidelines. The Companies Act of 2013 introduced significant changes, enhancing shareholder rights, requiring greater board independence, and emphasizing corporate social responsibility (CSR). In 2018, SEBI introduced a revised Corporate Governance Code, aligning it with global standards and emphasizing the separation of roles between chairperson and CEO, as well as other governance enhancements. Stakeholder engagement and responsible business practices gained prominence, with companies focusing on sustainability and environmental, social, and governance (ESG) factors.

## **Significance of Corporate Governance in India**

Corporate governance holds immense significance in India due to its critical role in fostering transparency, accountability, and sustainable business practices within the corporate sector. Corporate Governance is essentially all about how corporations are directed, managed, controlled and held accountable to their shareholders<sup>7</sup>. As India continues its journey of economic growth and global integration, effective corporate governance becomes instrumental in achieving a balanced and ethical business environment. Strong corporate governance practices inspire confidence among both domestic and international investors. A well-governed company is more likely to attract investment, as it demonstrates a commitment to transparency, accountability, and protection of shareholder interests.

India has a diverse ownership landscape, including many minority shareholders. Robust governance mechanisms safeguard the rights and interests of these shareholders, ensuring fair treatment and equitable decision-making. Sound governance practices lead to better risk management, efficient resource allocation, and informed decision-making, companies adhere to regulatory requirements ultimately contributing to long-term business sustainability. Effective corporate governance encourages companies to incorporate social and environmental considerations into their business strategies. This aligns with India's growing emphasis on corporate social responsibility (CSR) and sustainability.

Transparent reporting practices are essential for building trust among stakeholders. Adequate disclosure of financial information, business operations, risks, and performance ensure that stakeholders have accurate and timely information to make informed decisions. Corporate governance promotes engagement with various stakeholders, including employees, customers,

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<sup>7</sup> IJCRT1133063.pdf, <https://ijcrt.org/papers/IJCRT1133063.pdf> (last visited Aug 30, 2023).

suppliers, and local communities. Engaged stakeholders contribute to the company's social license to operate and its overall reputation.

A well-structured board with independent directors and diverse expertise can provide strategic guidance, oversight, and checks and balances to the management team, enhancing decision-making. As India continues to integrate into the global economy, adhering to international corporate governance standards improves the country's reputation, making Indian companies more attractive partners and investments on the global stage.

## Features of Corporate Governance in India

Corporate Governance means set of rules and regulations by which an organization is governed, controlled and directed. It is conducted by the Board of Directors or the concerned committee for the benefit of the company's stakeholders<sup>8</sup>. Corporate governance in India encompasses a set of features and principles designed to ensure transparent, accountable, and ethical business practices within companies. These features reflect the evolving regulatory landscape, business environment, and cultural considerations in India. Some key features of corporate governance in India include:

- One of the key functions of the Board is overseeing the process of disclosure and communications<sup>9</sup>. Emphasis on a balanced board composition with a mix of executive and non-executive directors. Mandatory requirement for a certain number of independent directors to ensure unbiased decision-making. Independent directors play a crucial role in providing objective oversight and protecting minority shareholders' interests.
- Stringent financial reporting and auditing requirements to maintain accurate and transparent financial records. Mandatory disclosure of financial information, risk factors, related party transactions, and other material information to ensure stakeholders have access to relevant data.
- Protection of shareholder rights through mechanisms such as voting rights, dividend distribution, and information access. Shareholders' ability to vote on important matters, elect directors, and participate in company decision-making through general meetings.
- Regulatory oversight by bodies such as the Securities and Exchange Board of India to enforce corporate governance standards and protect investor interests. Regular updates and

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<sup>8</sup> Anubhav Pandey, *Regulatory Framework for Corporate Governance in India*, iPLEADERS (May 12, 2017), <https://blog.ipleaders.in/corporate-governance/> (last visited Aug 30, 2023).

<sup>9</sup> Global Legal Group, *International Comparative Legal Guides*, INTERNATIONAL COMPARATIVE LEGAL GUIDES INTERNATIONAL BUSINESS REPORTS, <https://iclg.com/practice-areas/corporate-governance-laws-and-regulations/india> (last visited Aug 30, 2023).



amendments to regulations to align with changing business dynamics and global practices.

- Mandatory CSR spending for eligible companies to contribute to societal development and environmental sustainability. Focus on integrating CSR initiatives into business strategies to address social and environmental challenges.
- Mechanisms to protect employees, stakeholders, and whistleblowers who report unethical practices or wrongdoing within the company. Encouraging a culture of reporting without fear of retaliation<sup>10</sup>.
- Emphasis on effective risk management and internal controls to identify, assess, and mitigate business risks. Board oversight of risk management practices to ensure alignment with the company's strategic objectives<sup>11</sup>.
- Scrutiny of related party transactions to prevent conflicts of interest and ensure fairness in transactions involving insiders. Approval mechanisms and disclosure requirements for such transactions to maintain transparency.
- Engagement with stakeholders beyond shareholders, including employees, customers, suppliers, and local communities. Recognizing the broader impact of business decisions on various stakeholders.
- Increasing focus on digital governance practices, including cybersecurity measures, data privacy, and responsible technology use. Addressing new challenges posed by digital transformation, such as e-voting and electronic disclosures.
- Movement toward professional and diverse boards with directors possessing expertise in various domains. Training programs for directors to enhance their understanding of governance best practices.
- Efforts to align Indian corporate governance standards with international best practices to enhance competitiveness and attract foreign investment. These features collectively contribute to the establishment of a robust corporate governance framework in India, promoting ethical conduct, investor confidence, and sustainable business growth.

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<sup>10</sup> Corporate Governance in India - Concepts and Frameworks - Law Corner, <https://lawcorner.in/corporate-governance-in-india-concepts-and-frameworks/> (last visited Aug 30, 2023).

<sup>11</sup> Evaluation of existing Legislative Framework of Corporate Governance in India, <https://taxguru.in/company-law/evaluation-existing-legislative-framework-corporate-governance-india.html> (last visited Aug 30, 2023).

# Legal regulatory framework of Corporate Governance in India

Corporate governance in India is governed by various laws, regulations, and guidelines aimed at ensuring transparency, accountability, and ethical behaviour within companies. In terms of structural and regulatory changes, India has seen a number of enactments, including the 2013 Companies Act and the regulations governing SEBI's listing obligations and disclosure requirements<sup>12</sup>.

## Companies Act, 2013

The Companies Act, 2013, is a comprehensive legislation that governs the incorporation, management, and functioning of companies in India. It mandates various corporate governance requirements, including the structure of boards, appointment and roles of directors, related party transactions, and shareholder rights<sup>13</sup>. The Act emphasizes the role of independent directors, introduces requirements for board committees and mandates disclosures related to corporate governance practices. As per Section 177 of the act, the company shall also establish an audit committee which overlooks the appointment of auditor, examination of financial statements, independence of the auditors and reports submitted by the auditors<sup>14</sup>.

## Securities and Exchange Board of India

SEBI is a regulatory authority established on April 12, 1992. SEBI was established with the main purpose of curbing the malpractices and protecting the interest of its investors<sup>15</sup>. It plays a crucial role in regulating listed companies and ensuring compliance with corporate governance norms. SEBI provides guidelines for the issues that have not been covered in the Companies Act of 2013 and also serves the purpose of the Exchange Board. Every company has to register itself with SEBI and follow its guidelines whenever necessary<sup>16</sup>. SEBI has issued several regulations and

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<sup>12</sup> India's Corporate Governance Regulatory Framework, UNACADEMY, <https://unacademy.com/content/upsc/governance-notes/indias-corporate-governance-regulatory-framework/> (last visited Aug 30, 2023).

<sup>13</sup> Corporate Governance Framework In India - Shareholders - India, <https://www.mondaq.com/india/shareholders/456460/corporate-governance-framework-in-india> (last visited Aug 30, 2023).

<sup>14</sup> IJLSI, 16. *Adequacy of Legal and Regulatory Framework in India with Regard to Corporate Governance in Protecting the Interest of Investors*, INTERNATIONAL JOURNAL OF LEGAL SCIENCE AND INNOVATION (Jul. 18, 2020), <https://www.ijlsi.com/16-adequacy-of-legal-and-regulatory-framework-in-india-with-regard-to-corporate-governance-in-protecting-the-interest-of-investors/> (last visited Aug 30, 2023).

<sup>15</sup> Sadhalaxmi Vivek Rao, *Legal Framework and Corporate Governance: Analysis of Indian Governance System*, (2005), <https://papers.ssrn.com/abstract=679001> (last visited Aug 30, 2023).

<sup>16</sup> Rachit Garg, *Corporate Governance*, IPLEADERS (Oct. 4, 2022), <https://blog.ipleaders.in/corporate-governance-3/> (last visited Aug 30, 2023).

guidelines that govern corporate governance practices for listed companies. These include the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which outline various governance requirements for listed entities.

SEBI's corporate governance code provides detailed guidelines for listed companies on matters such as board composition, independence of directors, board committees, related party transactions, and disclosure requirements. The code seeks to align Indian corporate governance practices with global standards and enhance transparency and accountability. SEBI has issued guidelines specifying the role, responsibilities, qualifications, and appointment process for independent directors. These guidelines aim to ensure that independent directors contribute effectively to the decision-making process, bring unbiased judgment, and safeguard the interests of minority shareholders.

SEBI regulations mandate the formation of an audit committee for listed companies. The committee oversees financial reporting, internal controls, and risk management. The committee plays a crucial role in ensuring accurate and transparent financial disclosures.

SEBI's guidelines prescribe the constitution and responsibilities of the nomination and remuneration committee, which is responsible for recommending appointments of directors and senior executives and determining their compensation.

SEBI (Prohibition of Insider Trading) Regulations, 2015; These regulations govern insider trading activities within companies. They mandate the formulation of a code of conduct for prevention of insider trading and require companies to maintain a structured approach to handling insider information.

SEBI (Share Based Employee Benefits) Regulations, 2014; These regulations govern employee stock options and other share-based employee benefit schemes. They outline disclosure requirements and provide guidelines for fair and transparent administration of such schemes.

Both the Companies Act and SEBI regulations have provisions that govern related party transactions to prevent conflicts of interest and ensure fair dealing.

# Issues and Challenges of Corporate Governance in India

Corporate governance in India faces several challenges that stem from the complex business environment, regulatory landscape, cultural factors, and evolving market dynamics. A strong disclosure regime that promotes real transparency is a pivotal feature of market-based monitoring of companies and is central to shareholders' ability to exercise their shareholder rights on an informed basis. Experience shows that disclosure can also be a powerful tool for influencing the behaviour of companies and for protecting investors. A strong disclosure regime can help to attract capital and maintain confidence in the capital markets. By contrast, weak disclosure and non-transparent practices can contribute to unethical behaviour and to a loss of market integrity at great cost, not just to the company and its shareholders but also to the economy as a whole<sup>17</sup>.

These challenges can impact transparency, accountability, and ethical conduct within companies.

Some of the significant issues and challenges of corporate governance in India include:

- India has witnessed instances of related party transactions that raise concerns about potential conflicts of interest and insider dealing. Transparent disclosure and fair treatment of such transactions remain challenging.
- Many Indian companies have promoter-led ownership structures, which can lead to concentrated power and influence. Balancing the interests of promoters, minority shareholders, and independent directors can be a challenge.
- Despite regulatory mandates, ensuring a sufficient number of independent directors and maintaining their genuine independence remains a challenge. Family-controlled businesses may struggle to strike the right balance on the board<sup>18</sup>.
- While regulations exist, enforcement can be lax due to resource constraints and delays in legal proceedings. This can lead to corporate governance violations going unpunished.
- Whistleblower mechanisms are not always robust, and there have been cases of retaliation against individuals who report wrongdoing. Strengthening protection for whistleblowers is essential.
- While institutional investors are gaining influence, their activism on corporate governance matters is still evolving. Encouraging active participation of institutional investors is crucial for effective governance.

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<sup>17</sup> G20/OECD PRINCIPLES OF CORPORATE GOVERNANCE 2015, (2015), [https://www.oecd-ilibrary.org/governance/g20-oecd-principles-of-corporate-governance-2015\\_9789264236882-en](https://www.oecd-ilibrary.org/governance/g20-oecd-principles-of-corporate-governance-2015_9789264236882-en) (last visited Aug 30, 2023).

<sup>18</sup> Corporate Governance in India, <https://legalserviceindia.com/legal/article-7435-corporate-governance-in-india.html> (last visited Aug 29, 2023).



- With the growing reliance on technology, cybersecurity and data privacy issues are emerging concerns. Many Indian companies are still in the process of integrating robust risk management practices.
- While there's an increasing focus on environmental, social, and governance (ESG) considerations, standardized sustainability reporting is not yet a widespread practice. Technology has transcended the role of an enabler in all aspects of the value chain to a distinct competitive advantage. Newer committees that include Digital transformation and ESG must be constituted as part of the boards<sup>19</sup>.
- Complex and often overlapping regulations can lead to confusion and ambiguity in understanding and implementing corporate governance practices.
- Shareholders only attend the Annual general meeting of their companies. They are generally inactive in the management. Shareholders associations are also not strong. Directors generally make the profit of this situation and misuse their power. So, there is an imperative need for corporate governance to protect all the stakeholders of the company<sup>20</sup>.
- The dual role of the chairman and CEO can lead to a concentration of power, potentially affecting checks and balances.
- Family-owned businesses form a significant part of the corporate landscape. The transition from traditional practices to modern governance can be challenging for such businesses.
- Frequent changes in regulations can create a compliance burden for companies, diverting resources from strategic decision-making.
- As companies aim for global competitiveness, aligning Indian governance practices with international standards can be demanding.
- There's a need for increased awareness and education about the importance of corporate governance among all stakeholders, including directors, management, and shareholders.

In India, weakness in the system such as undesirable stock market practices, boards of directors without adequate fiduciary responsibilities, poor disclosure practices, lack of transparency and chronic capitalism were all crying for reforms and improved governance<sup>21</sup>. Non-compliance to the disclosure norms provisions have hardly been followed in India. Failure to submit the auditor's

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<sup>19</sup> Corporate governance breakdown in India's corporates: Time for an overhaul? - BusinessToday, <https://www.businesstoday.in/opinion/columns/story/corporate-governance-breakdown-in-indias-corporates-time-for-an-overhaul-325556-2022-03-10> (last visited Aug 30, 2023).

<sup>20</sup> [ijrar\\_issue\\_20543494.pdf](http://ijrar.com/upload_issue/ijrar_issue_20543494.pdf), [http://ijrar.com/upload\\_issue/ijrar\\_issue\\_20543494.pdf](http://ijrar.com/upload_issue/ijrar_issue_20543494.pdf) (last visited Aug 30, 2023).

<sup>21</sup> LEXPEEPS, *History of Corporate Governance in India | Lex Peeps*, LEXPEEPS (Aug. 31, 2020), <https://lexpeeps.in/history-of-corporate-governance-in-india/> (last visited Aug 24, 2023).

report attracts the nominal fines and no substantial action has been taken against any firm till date for non-submission of the auditor's report<sup>22</sup>.

The digital transformation has brought new governance challenges, including data privacy, cybersecurity, and the ethical use of technology. Shareholder activism and institutional investors' role in influencing governance decisions have gained attention. Long term institutional investors, pension funds or infrastructure funds can help to develop a vibrant state of shareholder activism in the country. The oversight by such investors of corporate conduct can be facilitated through internal participation of their nominees as directors or external proceedings for preventing mismanagement. Such institutional investors should establish model codes for proper exercise of their votes in the interest of the company and its minority shareholders, at general meetings, analyse and review corporate actions intended in their investee companies proactively and assume responsible roles in monitoring corporate governance and promoting good management of companies in which they invest<sup>23</sup>. Addressing these issue and challenges requires a holistic approach involving regulators, companies, investors, and other stakeholders. Continuous improvements in regulations, enforcement mechanisms, and practices are essential to enhance corporate governance standards in India.

## **Conclusion and Suggestions**

Corporate governance in India is a dynamic and evolving field that plays a pivotal role in shaping the business landscape of the country. As India's economy continues to grow and integrate into the global market, the significance of effective corporate governance cannot be overstated. It serves as a linchpin for fostering transparency, accountability, ethical conduct, and sustainable practices within the corporate sector. While significant strides have been made in enhancing corporate governance practices in India, there are still challenges to overcome. The journey towards improved governance is an ongoing process that requires collaboration, commitment, and a proactive approach from various stakeholders, including regulators, companies, investors, and the broader society.

As India strives to attain higher levels of economic growth, global competitiveness, and social responsibility, the journey towards better corporate governance remains a cornerstone. By

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<sup>22</sup> IJBA 21Dr. Pushpendra Kumar Musha.pdf, <https://busadmjnvu.org/IJBA%2021Dr.%20Pushpendra%20Kumar%20Musha.pdf> (last visited Aug 30, 2023).

<sup>23</sup> Draft\_Report\_NareshChandra\_CII.pdf, [https://www.mca.gov.in/Ministry/latestnews/ Draft\\_Report\\_NareshChandra\\_CII.pdf](https://www.mca.gov.in/Ministry/latestnews/ Draft_Report_NareshChandra_CII.pdf) (last visited Aug 30, 2023).

cultivating an environment of transparency, fostering ethical behaviour, empowering stakeholders, and aligning with international governance standards, India can create a corporate ecosystem that not only attracts investments but also contributes positively to the nation's social and economic progress. Environmental, social, and governance (ESG) investing is an increasingly popular approach to investing. The government should encourage ESG investing by providing tax incentives and other benefits to investors who invest in companies that operate in a socially responsible and ethical manner<sup>24</sup>.

In the quest for improved corporate governance, the collective efforts of policymakers, businesses, investors, and society at large are paramount. Through collaborative initiatives, continuous education, and a commitment to ethical conduct, India's corporate governance landscape can transform into a beacon of trust, accountability, and sustainable growth, reinforcing its position on the global stage.

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<sup>24</sup> Devansh Aeron, *India's Corporate Governance – A Brief*, TAXGURU (2023), <https://taxguru.in/corporate-law/indias-corporate-governance.html> (last visited Aug 30, 2023).