

CORPORATE GOVERNANCE IN INDIA UNDER THE COMPANIES ACT, 2013: LAW, COMPLIANCE, AND PRACTICAL CHALLENGES

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ABSTRACT

Corporate governance has emerged as a cornerstone of modern corporate law, aimed at ensuring transparency, accountability, and ethical management of companies. In India, the enactment of the Companies Act, 2013 marked a significant shift from a shareholder-centric model to a more inclusive stakeholder-based governance framework. The Act introduced comprehensive provisions relating to the composition of the board of directors, independent directors, audit committees, corporate social responsibility, and enhanced disclosure norms.

This research paper critically examines the corporate governance framework under the Companies Act, 2013, with particular emphasis on its legal provisions, regulatory mechanisms, and practical implementation. It analyzes the role of regulatory authorities such as the Ministry of Corporate Affairs and the Securities and Exchange Board of India in enforcing governance standards. The study also evaluates the contribution of the judiciary in interpreting governance norms through landmark judgments.

Despite the robust legal framework, Indian corporations continue to face challenges such as promoter dominance, ineffective independent directorship, weak enforcement, and compliance-oriented governance rather than value-based governance. The paper adopts a doctrinal research methodology and relies on statutes, judicial decisions, committee reports, and secondary sources. It concludes that while the Companies Act, 2013 has strengthened corporate governance in India, effective implementation and cultural change within corporate management remain essential for achieving its objectives.

INTRODUCTION

Corporate governance constitutes the backbone of modern corporate regulation, ensuring that companies are managed in a transparent, accountable, and responsible manner. It refers to the system of rules, practices, and processes by which a company is directed and controlled,

balancing the interests of shareholders, management, customers, employees, creditors, and society at large.¹ In an era marked by globalization, cross-border investments, and complex corporate structures, effective corporate governance has become essential for maintaining investor confidence and sustaining economic growth.

The importance of corporate governance gained global attention following major corporate scandals such as Enron and WorldCom, which exposed serious deficiencies in corporate oversight and ethical management.² These failures demonstrated that weak governance mechanisms could lead not only to corporate collapse but also to systemic economic risks. Consequently, countries across the world began strengthening their corporate governance frameworks to promote transparency, accountability, and ethical corporate behavior.

In India, corporate governance evolved gradually through a combination of legislative reforms, judicial interventions, and regulatory guidelines. Prior to the enactment of the Companies Act, 2013, corporate governance was primarily governed by the Companies Act, 1956, along with voluntary codes and listing requirements issued by regulatory bodies.³ However, the 1956 Act was criticized for being outdated and inadequate in addressing contemporary corporate challenges such as shareholder protection, board accountability, and disclosure standards.⁴ The enactment of the Companies Act, 2013 marked a significant milestone in the development of corporate law in India. The Act introduced a comprehensive statutory framework for corporate governance by strengthening the role of the board of directors, mandating the appointment of independent directors, establishing board committees such as the audit committee and nomination and remuneration committee, and enhancing disclosure and compliance requirements.⁵ A notable feature of the Act is the introduction of mandatory Corporate Social Responsibility (CSR), reflecting a shift from a purely shareholder-centric approach to a stakeholder-oriented model of corporate governance.⁶

Alongside the Companies Act, 2013, the Securities and Exchange Board of India (SEBI) has played a crucial role in strengthening corporate governance for listed companies through the

¹ Robert A.G. Monks & Nell Minow, *Corporate Governance 5* (5th ed. 2011).

² John C. Coffee, *Gatekeepers: The Professions and Corporate Governance 2-3* (2006).

³ Umakanth Varottil, Corporate Governance in India: Evolution and Challenges, 48 *Econ. & Pol. Wkly.* 88 (2013).

⁴ A. Ramaiya, *Guide to the Companies Act 1* (18th ed. 2014).

⁵ Companies Act, 2013, §§ 149, 177, 178 (India). ⁶

Companies Act, 2013, § 135 (India).

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.⁶ These regulations aim to ensure timely disclosures, protect minority shareholders, and improve board effectiveness. Together, the legislative and regulatory frameworks seek to align Indian corporate governance standards with international best practices.

Despite the presence of a robust legal framework, the practical implementation of corporate governance norms in India continues to face several challenges. Issues such as promoter dominance, lack of true independence of directors, procedural compliance without substantive accountability, and weak enforcement mechanisms undermine the effectiveness of governance reforms.⁷ Judicial interpretation has also played a significant role in shaping corporate governance norms by clarifying the duties and responsibilities of directors and protecting shareholder interests.⁸

In this context, a critical examination of corporate governance under the Companies Act, 2013 becomes essential to assess whether the law has succeeded in achieving its intended objectives. This research paper seeks to analyze the legal framework governing corporate governance in India, evaluate its practical effectiveness, and identify key challenges, while suggesting reforms to strengthen corporate governance in the Indian corporate sector.

OBJECTIVES OF THE STUDY

The objectives of the present study are to examine the legal framework governing corporate governance in India and to assess its effectiveness under the Companies Act, 2013.⁹ The study aims to analyze the role and responsibilities of corporate boards, particularly independent directors and statutory committees, in ensuring transparency and accountability.¹⁰ It also seeks to evaluate the role of regulatory authorities such as the Securities and Exchange Board of India in strengthening governance standards.¹¹ Further, the study examines judicial interpretation relating to corporate governance and directors' duties.¹² Finally, the research attempts to

⁶ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

⁷ Umakanth Varottil, *supra* note 3, at 92.

⁸ *Tata Consultancy Servs. Ltd. v. Cyrus Invs. Pvt. Ltd.*, (2021) 9 SCC 449.

⁹ Adrian Cadbury, *Report of the Committee on the Financial Aspects of Corporate Governance* (1992).

¹⁰ Companies Act, 2013, §§ 149, 177 (India).

¹¹ Securities and Exchange Board of India Act, 1992

¹² *Tata Consultancy Servs. Ltd. v. Cyrus Invs. Pvt. Ltd.*, (2021) 9 SCC 449.

¹⁴ OECD, *Principles of Corporate Governance* (2015).

identify practical challenges in the implementation of corporate governance norms and to suggest reforms for improving governance practices in Indian companies.¹³

Research Methodology

The present research adopts a **doctrinal and analytical research methodology**. The study is based entirely on secondary sources, including statutes, judicial decisions, committee reports, books, journals, and scholarly articles.¹⁴ The provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have been critically examined to understand the statutory framework of corporate governance in India. Comparative references to international governance standards have also been used where relevant to enhance analytical depth.

Concept of Corporate Governance

Corporate governance refers to the system by which companies are directed, managed, and controlled in order to achieve efficiency, transparency, and accountability.¹⁴ It involves a structured relationship between a company's management, board of directors, shareholders, and other stakeholders.¹⁵ The primary objective of corporate governance is to align corporate decision-making with stakeholder interests while ensuring ethical conduct and compliance with the law.

Effective corporate governance plays a crucial role in preventing corporate frauds, protecting shareholder rights, improving corporate performance, and enhancing investor confidence.¹⁶ In the contemporary corporate environment, good governance is considered essential for sustainable growth and long-term value creation.

Principles of Corporate Governance

Corporate governance is based on certain fundamental principles that guide corporate conduct and decision-making.

¹³ C.R. Kothari, *Research Methodology: Methods and Techniques* 4 (2d ed. 2004).

¹⁴ Robert A.G. Monks & Nell Minow, *Corporate Governance* 5 (5th ed. 2011).

¹⁵ OECD, *supra* note 5.

¹⁶ John C. Coffee, *Gatekeepers: The Professions and Corporate Governance* 2 (2006).

Transparency

Transparency requires companies to disclose accurate and timely information relating to financial performance, ownership structure, and governance practices.¹⁷ Disclosure norms reduce information asymmetry and promote investor confidence.

Accountability

Accountability ensures that directors and management are answerable for their actions and decisions.¹⁸ The Companies Act, 2013 strengthens accountability by prescribing statutory duties and liabilities of directors. **Fairness**

Fairness demands equitable treatment of all stakeholders, including minority shareholders, employees, and creditors.¹⁹ Protection of minority interests is a central concern of modern corporate governance.

Responsibility

Responsibility emphasizes ethical conduct, legal compliance, and contribution to social welfare.²⁰ The statutory recognition of Corporate Social Responsibility under Indian law reflects this principle.

CORPORATE GOVERNANCE FRAMEWORK UNDER THE COMPANIES ACT, 2013

The Companies Act, 2013 introduced a comprehensive statutory framework to strengthen corporate governance in India. The Act seeks to enhance transparency, accountability, and ethical conduct in corporate management by prescribing detailed provisions relating to the composition of the board of directors, duties of directors, constitution of board committees, and disclosure requirements.²¹ The legislative intent behind the Act is to align Indian corporate governance standards with global best practices while addressing issues specific to the Indian corporate structure.

¹⁷ SEBI (LODR) Regulations, 2015, reg. 30.

¹⁸ Companies Act, 2013, § 166 (India).

¹⁹ Umakanth Varottil, Corporate Governance in India: Evolution and Challenges, 48 *Econ. & Pol. Wkly.* 88 (2013).

²⁰ Companies Act, 2013, § 135 (India).

²¹ Ministry of Corporate Affairs, *Companies Act, 2013* (India).

²⁴ Companies Act, 2013, § 179 (India)

Board of Directors

The board of directors occupies a central position in the corporate governance framework. Under the Companies Act, 2013, the board is entrusted with the responsibility of managing the affairs of the company and ensuring compliance with statutory and fiduciary obligations.²⁴ Section 149 of the Act mandates the minimum and maximum number of directors and requires certain classes of companies to appoint independent directors to enhance board objectivity and oversight.²²

The Act also recognizes the concept of woman directors in specified companies, reflecting an effort to promote diversity in board composition.²³ By prescribing qualifications, disqualifications, and tenure of directors, the Act aims to ensure that competent and accountable individuals occupy board positions.

²² Companies Act, 2013, § 149 (India).

²³ Companies Act, 2013, § 149(1) proviso (India).

Duties of Directors

One of the significant reforms introduced by the Companies Act, 2013 is the codification of directors' duties. Section 166 lays down statutory duties requiring directors to act in good faith, exercise due care and diligence, and avoid conflicts of interest.²⁴ Directors are also obligated to act in the best interests of the company, its employees, shareholders, and the community at large.²⁵ The codification of duties strengthens accountability and provides a legal basis for enforcement in cases of misconduct.

Independent Directors

Independent directors play a crucial role in ensuring effective corporate governance by providing unbiased judgment and protecting minority shareholder interests.²⁶ The Companies Act, 2013 prescribes specific eligibility criteria, qualifications, and tenure for independent directors under Section 149(6).²⁷ Independent directors are expected to bring objectivity to board deliberations and monitor management performance.

Schedule IV of the Act outlines the code of conduct and professional responsibilities of independent directors, emphasizing ethical behavior and constructive participation in board processes.²⁸ Despite their statutory role, the effectiveness of independent directors has often been questioned due to issues relating to appointment, independence, and liability.

Audit Committee

The Audit Committee is a key governance mechanism aimed at ensuring financial transparency and integrity. Section 177 of the Companies Act, 2013 mandates the constitution of an audit committee in certain classes of companies.²⁹ The committee is primarily responsible for overseeing financial reporting, internal controls, risk management, and audit processes.³⁰ By requiring a majority of independent directors in the audit committee, the Act seeks to strengthen oversight and reduce the risk of financial misstatements and corporate frauds. The audit

²⁴ Companies Act, 2013, § 166 (India).

²⁵ Umakanth Varottil, *Corporate Governance in India: Evolution and Challenges*, 48 (2013).

²⁶ OECD, *Principles of Corporate Governance* (2015).

²⁷ Companies Act, 2013, § 149(6) (India).

²⁸ Companies Act, 2013, sch. IV (India).

²⁹ Companies Act, 2013, § 177 (India).

³⁰ A. Ramaiya, *Guide to the Companies Act 2456* (18th ed. 2014).

committee also acts as a bridge between the board, management, and auditors, thereby enhancing corporate accountability.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) plays an important role in ensuring fairness and transparency in the appointment and remuneration of directors and senior management. Section 178 of the Companies Act, 2013 mandates the constitution of the NRC in certain companies.³¹ The committee formulates criteria for board appointments and ensures that remuneration policies are aligned with company performance and stakeholder interests.³² The NRC contributes to improved governance by reducing arbitrary appointments and excessive executive compensation, which have been common governance concerns in Indian companies.

Corporate Social Responsibility Committee

The introduction of mandatory Corporate Social Responsibility under Section 135 of the Companies Act, 2013 represents a distinctive feature of India's corporate governance regime.³³ Eligible companies are required to constitute a CSR Committee to formulate and monitor CSR policies and activities.³⁴ This provision reflects a shift towards a stakeholder-centric approach, recognizing the social responsibilities of corporations.

Disclosure and Transparency Requirements

Transparency forms the cornerstone of effective corporate governance. The Companies Act, 2013 strengthens disclosure norms by mandating detailed financial reporting, board reports, and disclosures of related party transactions.³⁵ These requirements are further supplemented by

³¹ Companies Act, 2013, § 178 (India).

³² SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

³³ Companies Act, 2013, § 135 (India).

³⁴ Ministry of Corporate Affairs, *CSR Rules, 2014*.

³⁵ Companies Act, 2013, §§ 134, 188 (India).

SEBI regulations for listed companies, which emphasize timely and accurate disclosures to protect investor interests.³⁵

Judicial Approach to Corporate Governance

The judiciary has played a vital role in interpreting and enforcing corporate governance norms. In *Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd.*, the Supreme Court emphasized the importance of board autonomy and fiduciary duties of directors.³⁶ Judicial decisions have contributed significantly to clarifying governance standards and strengthening accountability mechanisms.

ROLE OF SEBI AND OTHER REGULATORY AUTHORITIES IN CORPORATE GOVERNANCE

Corporate governance in India is not governed solely by the Companies Act, 2013 but is also significantly shaped by regulatory oversight exercised by statutory authorities. Among these, the **Securities and Exchange Board of India (SEBI)** plays a central role in regulating corporate governance standards for listed companies.³⁷ The combined functioning of SEBI and the Ministry of Corporate Affairs (MCA) ensures a balanced regulatory framework aimed at protecting investor interests and promoting transparency and accountability in corporate functioning.

Role of the Securities and Exchange Board of India (SEBI)

SEBI was established under the Securities and Exchange Board of India Act, 1992 with the primary objective of protecting the interests of investors and regulating the securities market.³⁸ Over time, SEBI has emerged as a key regulator in strengthening corporate governance norms, particularly for listed companies.

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

A major contribution of SEBI to corporate governance is the introduction of the **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**.³⁹ These regulations consolidated and replaced Clause 49 of the Listing Agreement and laid down comprehensive

³⁵ SEBI (LODR) Regulations, 2015, reg. 30.

³⁶ *Tata Consultancy Servs. Ltd. v. Cyrus Invs. Pvt. Ltd.*, (2021) 9 SCC 449.

³⁷ Umakanth Varottil, *Corporate Governance in India: Evolution and Challenges*, 48 (2013)

³⁸ Securities and Exchange Board of India Act, 1992 (India).

³⁹ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

governance requirements relating to board composition, independent directors, audit committees, disclosure norms, and shareholder rights.

The LODR Regulations mandate timely disclosure of material events, financial results, related party transactions, and changes in management.⁴⁰ Such disclosures enhance transparency and reduce information asymmetry between companies and investors.

Board Composition and Independent Directors under SEBI Regulations

SEBI regulations prescribe detailed norms regarding the composition of the board of directors of listed companies. A specified number of independent directors must be appointed to ensure board independence and effective oversight.⁴¹ The regulations also require separation of the roles of chairperson and managing director in certain cases to prevent concentration of power.⁴² SEBI has further strengthened the accountability of independent directors by prescribing qualifications, disclosure requirements, and evaluation mechanisms.⁴³ These measures aim to ensure that independent directors function as effective watchdogs rather than symbolic appointments.

Protection of Minority Shareholders

One of the core objectives of SEBI's corporate governance framework is the protection of minority shareholders. SEBI regulations provide safeguards against oppression and mismanagement by controlling shareholders through enhanced disclosure norms and voting mechanisms.⁴⁴ The introduction of electronic voting and stricter norms for related party transactions has empowered minority shareholders to participate more effectively in corporate decision-making.⁴⁵

⁴⁰ SEBI (LODR) Regulations, 2015, reg. 30.

⁴¹ SEBI (LODR) Regulations, 2015, reg. 17.

⁴² SEBI Circular on Corporate Governance Reforms (2018).

⁴³ SEBI (LODR) Regulations, 2015, reg. 25.

⁴⁴ Varottil, *supra* note 1, at 94.

⁴⁵ SEBI (LODR) Regulations, 2015, reg. 44.

Role of the Ministry of Corporate Affairs (MCA)

The Ministry of Corporate Affairs is responsible for administering and enforcing the Companies Act, 2013.⁴⁶ The MCA exercises regulatory oversight through the Registrar of Companies (ROC), National Company Law Tribunal (NCLT), and National Company Law Appellate Tribunal (NCLAT). These institutions play a vital role in ensuring corporate compliance and resolving governance-related disputes.

The MCA also issues rules, notifications, and circulars to clarify statutory provisions and address emerging governance challenges.⁴⁷ Such executive interventions help in effective implementation of corporate governance laws.

Role of National Company Law Tribunal (NCLT)

The NCLT serves as a specialized adjudicatory body for corporate disputes, including matters related to oppression and mismanagement, corporate restructuring, and director disqualifications.⁴⁸ The tribunal has played a significant role in enforcing corporate governance standards by holding directors and management accountable for statutory violations.⁴⁹

Judicial Support to Regulatory Framework

Judicial decisions have complemented regulatory efforts in strengthening corporate governance. Courts and tribunals have consistently emphasized the fiduciary duties of directors and the need for fair and transparent corporate conduct.⁵⁰ In several cases, judicial intervention has reinforced SEBI regulations and MCA guidelines, thereby strengthening the overall governance framework.

CHALLENGES IN CORPORATE GOVERNANCE IN INDIA

Despite the introduction of a comprehensive legal and regulatory framework under the Companies Act, 2013 and SEBI regulations, effective corporate governance in India continues to face several structural and practical challenges. These challenges often limit the actual

⁴⁶ Ministry of Corporate Affairs, *Companies Act, 2013* (India).

⁴⁷ Ministry of Corporate Affairs, General Circulars under Companies Act, 2013.

⁴⁸ Companies Act, 2013, §§ 241–242 (India).

⁴⁹ *Cyrus Invs. Pvt. Ltd. v. Tata Sons Ltd.*, (2017) 139 SCL 1 (NCLT).

⁵⁰ *Tata Consultancy Servs. Ltd. v. Cyrus Invs. Pvt. Ltd.*, (2021) 9 SCC 449. ⁵⁵

Umakanth Varottil, *Corporate Governance in India: Evolution and Challenges*, 48 (2013).

realization of transparency, accountability, and ethical corporate conduct envisioned by the law.⁵⁵

Promoter Dominance and Concentrated Ownership

One of the most significant challenges in Indian corporate governance is the dominance of promoters and concentrated ownership structures.⁵¹ In many Indian companies, promoters exercise substantial control over management and board decisions, often undermining the role of independent directors and minority shareholders. This concentration of power creates an imbalance in corporate decision-making and increases the risk of related party transactions and misuse of corporate resources.⁵²

Lack of True Independence of Independent Directors

Although the Companies Act, 2013 mandates the appointment of independent directors, their independence in practice remains questionable.⁵³ Independent directors are often appointed by promoters, leading to conflicts of interest and reluctance to challenge management decisions. Additionally, fear of legal liability and reputational risk discourages independent directors from active participation in governance processes.⁵⁴

Compliance-Oriented Governance

Another major challenge is the tendency of companies to adopt a compliance-oriented approach rather than a value-based governance culture.⁵⁵ Many companies focus on fulfilling statutory requirements mechanically without genuinely internalizing the principles of good governance. This results in “box-ticking” compliance, where formal requirements are met but substantive accountability is lacking.⁵⁵

⁵¹ OECD, *Principles of Corporate Governance* (2015).

⁵² Varottil, *supra* note 1, at 90.

⁵³ Companies Act, 2013, § 149 (India).

⁵⁴ Ministry of Corporate Affairs, *Report of the Company Law Committee* (2016).

⁵⁵ Adrian Cadbury, *Corporate Governance and Chairmanship* 14 (2002).

⁵⁵ Varottil, *supra* note 1, at 92.

Weak Enforcement Mechanisms

Effective corporate governance depends not only on the existence of laws but also on their enforcement. In India, enforcement of corporate governance norms is often criticized as being weak and inconsistent.⁵⁶ Limited regulatory capacity, procedural delays, and prolonged litigation reduce the deterrent effect of penalties and sanctions. As a result, violations of governance norms frequently go unpunished or are resolved after significant delays.⁵⁷

Information Asymmetry and Disclosure Issues

Although disclosure requirements have been strengthened, information asymmetry between management and shareholders continues to persist.⁵⁸ Complex financial disclosures, delayed reporting, and selective disclosure practices hinder informed decision-making by investors. Minority shareholders, in particular, face difficulties in accessing relevant information affecting their interests.⁵⁹

Challenges in Corporate Social Responsibility Implementation

While mandatory Corporate Social Responsibility (CSR) under the Companies Act, 2013 reflects progressive governance thinking, its implementation faces several challenges.⁶⁰ Companies often treat CSR as a statutory obligation rather than a genuine social commitment. Lack of monitoring, inadequate impact assessment, and diversion of CSR funds dilute the effectiveness of CSR initiatives.⁶¹

Judicial and Regulatory Overlap

Overlapping jurisdiction between regulatory authorities and judicial bodies also poses challenges to corporate governance enforcement.⁶² Multiple forums such as SEBI, MCA, NCLT, and civil courts sometimes lead to jurisdictional conflicts and inconsistent decisions, creating uncertainty for corporate entities and investors alike.

JUDICIAL DECISIONS AND CASE LAW ANALYSIS ON CORPORATE GOVERNANCE

⁵⁶ Securities and Exchange Board of India Act, 1992 (India).

⁵⁷ C.L. Bansal, *Corporate Governance: Law, Practice and Procedures* 233 (2018).

⁵⁸ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

⁵⁹ John C. Coffee, *Gatekeepers: The Professions and Corporate Governance* 5 (2006).

⁶⁰ Companies Act, 2013, § 135 (India).

⁶¹ Ministry of Corporate Affairs, *CSR Rules, 2014*.

⁶² *Tata Consultancy Servs. Ltd. v. Cyrus Invs. Pvt. Ltd.*, (2021) 9 SCC 449.

The judiciary has played a pivotal role in shaping and strengthening corporate governance norms in India. Through judicial interpretation, courts and tribunals have clarified the scope of directors' duties, protected shareholder interests, and reinforced the principles of transparency and accountability. Judicial decisions have complemented legislative and regulatory frameworks by addressing governance failures and managerial misconduct.⁶³

Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd.

The Supreme Court's decision in *Tata Consultancy Services Ltd. v. Cyrus Investments Pvt. Ltd.* is a landmark judgment in Indian corporate governance jurisprudence.⁶⁴ The case arose from the removal of Cyrus Mistry as the Executive Chairman of Tata Sons and raised significant questions regarding board powers, minority shareholder rights, and principles of corporate governance.

The Supreme Court emphasized that the board of directors has wide discretionary powers in managing the affairs of the company, provided such powers are exercised in good faith and in compliance with statutory provisions.⁶⁵ The Court upheld the principle of board autonomy while reiterating that directors owe fiduciary duties to the company and its stakeholders. The judgment reinforced that courts should not ordinarily interfere in commercial decisions of the board unless there is evidence of illegality, mala fides, or oppression.⁷²

Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd.

In *Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd.*, the Supreme Court examined issues of oppression and mismanagement under company law.⁶⁶ The Court held that mere illegality is not sufficient to establish oppression; there must be a lack of probity and fair dealing in the affairs of the company. This judgment laid down important principles for protecting minority shareholders and preventing abuse of majority power, which remain relevant under the Companies Act, 2013.

⁶³ Umakanth Varottil, Corporate Governance in India: Evolution and Challenges, 48 **Econ. & Pol. Wkly.** 88 (2013).

⁶⁴ *Tata Consultancy Servs. Ltd. v. Cyrus Invs. Pvt. Ltd.*, (2021) 9 SCC 449.

⁶⁵ *Id.* ⁷² *Id.*

⁶⁶ *Needle Indus. (India) Ltd. v. Needle Indus. Newey (India) Holding Ltd.*, (1981) 3 SCC 333. ⁷⁴

Sahara India Real Estate Corp. Ltd. v. SEBI, (2013) 1 SCC 1.

Sahara India Real Estate Corporation Ltd. v. SEBI

The decision in *Sahara India Real Estate Corporation Ltd. v. SEBI* significantly strengthened regulatory oversight and investor protection.⁷⁴ The Supreme Court upheld SEBI's authority to regulate public issue of securities and emphasized the importance of disclosure and transparency in corporate fundraising. The Court observed that failure to comply with disclosure requirements undermines investor confidence and corporate accountability.⁶⁷ This judgment highlighted the role of regulatory authorities in enforcing corporate governance norms.

Vodafone International Holdings BV v. Union of India

Although primarily a tax case, *Vodafone International Holdings BV v. Union of India* has important corporate governance implications.⁶⁸ The Supreme Court recognized the legitimacy of corporate structures and emphasized the principle of legal certainty in corporate transactions. The judgment underscored the need for regulatory clarity and predictability, which are essential components of a sound corporate governance framework.⁶⁹

NCLT and NCLAT Decisions on Corporate Governance

The National Company Law Tribunal (NCLT) and the National Company Law Appellate Tribunal (NCLAT) have emerged as specialized forums for adjudicating corporate governance disputes.⁷⁰ In several cases, these tribunals have enforced compliance with statutory provisions relating to director disqualification, oppression and mismanagement, and corporate restructuring.⁷¹ The tribunals have played a crucial role in ensuring speedy resolution of governance-related disputes and strengthening corporate accountability.

Judicial Contribution to Corporate Governance

Judicial intervention has consistently emphasized that corporate governance is not merely about statutory compliance but also about ethical conduct and fairness.⁷² Courts have reiterated that directors act in a fiduciary capacity and must prioritize the interests of the company and its

⁶⁷ Id.

⁶⁸ *Vodafone Int'l Holdings BV v. Union of India*, (2012) 6 SCC 613.

⁶⁹ Id.

⁷⁰ Companies Act, 2013, §§ 408–410 (India).

⁷¹ *Cyrus Invs. Pvt. Ltd. v. Tata Sons Ltd.*, (2017) 139 SCL 1 (NCLT).

⁷² John C. Coffee, *Gatekeepers: The Professions and Corporate Governance* 6 (2006).

stakeholders. Through progressive interpretation, the judiciary has reinforced the principles underlying the Companies Act, 2013 and SEBI regulations, thereby strengthening the overall governance framework in India.

SUGGESTIONS AND REFORMS FOR STRENGTHENING CORPORATE GOVERNANCE IN INDIA

Although the Companies Act, 2013 and SEBI regulations have significantly improved corporate governance standards in India, persistent challenges necessitate further reforms. Strengthening governance requires not only legal amendments but also institutional and cultural changes within corporate management.⁷³ The following suggestions aim to enhance the effectiveness of corporate governance mechanisms in India.

Strengthening the Independence of Independent Directors

The effectiveness of independent directors depends largely on their true independence from promoters and management.⁷⁴ There is a need to reform the appointment process by involving neutral agencies or databases to identify qualified and independent candidates. Enhanced training programs and periodic performance evaluations should also be mandated to improve the quality and accountability of independent directors.⁸³

Further, protection mechanisms should be strengthened to shield independent directors from undue legal liability when they act in good faith.⁷⁵ Such safeguards would encourage independent directors to participate actively and fearlessly in board deliberations.

Reducing Promoter Dominance

Promoter dominance remains a major obstacle to effective corporate governance in India.⁷⁶ Regulatory authorities should strengthen norms relating to related party transactions and ensure strict enforcement of disclosure requirements. Minority shareholder approval should be made more effective through enhanced voting mechanisms and stricter scrutiny of transactions involving promoters.⁷⁷

⁷³ OECD, *Principles of Corporate Governance* (2015).

⁷⁴ Companies Act, 2013, § 149 (India). ⁸³ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

⁷⁵ Ministry of Corporate Affairs, *Report of the Company Law Committee* (2016).

⁷⁶ Umakanth Varottil, Corporate Governance in India: Evolution and Challenges, 48 *Econ. & Pol. Wkly.* 88 (2013).

⁷⁷ SEBI (LODR) Regulations, 2015, reg. 23.

Moving from Compliance-Based to Value-Based Governance

Corporate governance should move beyond mere statutory compliance to a value-based governance culture.⁷⁸ Companies must internalize ethical standards and adopt best practices voluntarily rather than treating governance as a box-ticking exercise. Board leadership should emphasize ethical conduct, long-term sustainability, and stakeholder welfare as core governance objectives.⁷⁹

Strengthening Enforcement Mechanisms

Effective enforcement is crucial for the success of corporate governance reforms. Regulatory bodies such as SEBI and the MCA should be equipped with greater institutional capacity and technological tools to detect and address governance violations promptly.⁷⁹ Faster adjudication of corporate disputes through NCLT and NCLAT would also enhance deterrence and accountability.⁸⁰

Enhancing Transparency and Disclosure Standards

Although disclosure norms have improved, there is scope for further enhancement.⁸¹ Simplification of financial disclosures, use of digital platforms, and real-time reporting of material events can reduce information asymmetry and empower investors. Greater emphasis should also be placed on non-financial disclosures, including environmental, social, and governance (ESG) reporting.⁸²

Reforming Corporate Social Responsibility Framework

The CSR framework should focus on impact-oriented implementation rather than mere expenditure compliance.⁸³ Regular monitoring, third-party audits, and transparent reporting of CSR outcomes would improve accountability and effectiveness. Aligning CSR initiatives with national development goals can further enhance their social impact.⁸⁴

⁷⁸ Adrian Cadbury, *Corporate Governance and Chairmanship* 15 (2002).

⁷⁹ John C. Coffee, *Gatekeepers: The Professions and Corporate Governance* 7 (2006).

⁷⁹ Securities and Exchange Board of India Act, 1992 (India).

⁸⁰ Companies Act, 2013, §§ 408–410 (India).

⁸¹ SEBI (LODR) Regulations, 2015, reg. 30.

⁸² OECD, *Corporate Governance and ESG Reporting* (2020).

⁸³ Companies Act, 2013, § 135 (India).

⁸⁴ Ministry of Corporate Affairs, *CSR Rules, 2014*.

Capacity Building and Corporate Governance Education

Continuous training and capacity-building programs for directors, senior management, and compliance officers are essential for improving governance standards.⁸⁵ Institutionalizing corporate governance education can promote awareness of fiduciary duties, ethical responsibilities, and regulatory expectations among corporate stakeholders.

CONCLUSION

Corporate governance constitutes the backbone of a sound, transparent, and accountable corporate framework. In India, the evolution of corporate governance reflects a gradual shift from a promoter-centric model to a stakeholder-oriented approach aimed at protecting investors, ensuring ethical management, and promoting sustainable corporate growth. The legislative framework under the Companies Act, 2013, complemented by SEBI's Listing Obligations and Disclosure Requirements, has played a pivotal role in strengthening governance norms and aligning Indian corporate practices with global standards.⁸⁶

The introduction of independent directors, mandatory audit committees, enhanced disclosure norms, and stricter regulation of related party transactions signifies a conscious effort to improve transparency and accountability. Judicial interventions have further reinforced these principles by emphasizing fiduciary duties of directors and the need for fairness in corporate decision-making.⁸⁷ However, despite these advancements, the effectiveness of corporate governance in India continues to be undermined by structural and practical challenges such as promoter dominance, lack of true independence of directors, procedural compliance without ethical commitment, and weak enforcement mechanisms.⁸⁸

The analysis reveals that corporate governance in India often remains compliance-driven rather than value-oriented. While statutory requirements are formally adhered to, the spirit of governance—fairness, responsibility, and accountability—is sometimes neglected. The persistence of corporate scandals demonstrates that legal provisions alone are insufficient

⁸⁵ C.L. Bansal, *Corporate Governance: Law, Practice and Procedures* 241 (2018).

⁸⁶ Companies Act, 2013 (India); SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

⁸⁷ *Tata Consultancy Servs. Ltd. v. Cyrus Mistry*, (2021) 9 SCC 449 (India).

⁸⁸ Umakanth Varottil, *Corporate Governance in India: Evolution and Challenges*, 48 *Econ. & Pol. Wkly.* 88 (2013).

unless supported by strong institutional enforcement and ethical corporate culture.⁸⁹ This underscores the necessity of shifting from rule-based governance to principle-based governance that emphasizes long-term sustainability over short-term profit maximization. Regulatory authorities such as SEBI and the Ministry of Corporate Affairs have made commendable efforts to strengthen governance through continuous reforms, technological integration, and enhanced monitoring. Nevertheless, there is a pressing need for faster dispute resolution mechanisms, greater protection for whistle-blowers, and improved accountability of corporate leadership.⁹⁰ Investor awareness and shareholder activism must also be encouraged to ensure participatory governance and effective checks on managerial power.

Corporate Social Responsibility has emerged as an integral component of corporate governance in India. The mandatory CSR regime reflects a progressive approach by linking corporate profitability with social development. However, the success of CSR lies not merely in statutory compliance but in genuine social impact, transparency, and alignment with national development goals.¹⁰¹

In conclusion, while India has made significant strides in establishing a robust corporate governance framework, the journey toward effective governance is ongoing. Strengthening corporate governance requires a holistic approach involving legal reforms, institutional capacity building, ethical leadership, and stakeholder participation. A balanced governance model that harmonizes corporate efficiency with social responsibility and investor protection will be crucial for sustaining economic growth and enhancing trust in India's corporate sector.⁹¹

⁸⁹ OECD, *Principles of Corporate Governance* (2015).

⁹⁰ Securities and Exchange Board of India Act, 1992 (India).¹⁰¹
Companies Act, 2013, § 135 (India).

⁹¹ Adrian Cadbury, *Corporate Governance and Chairmanship* 23 (2002).