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Perusing the Practice of Corporate Governance and Its Effective Implementation in India

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Ever since its independence, India has not emerged as a strong domain for corporate governance. People are still confused about whether having a solid structure for corporate governance only means having a strong relationship amongst the shareholders, or whether the stakeholders also hold significant value. Even after more than 70 years of independence, corporate governance seems to be a new concept for the Indian regime. Only in the last ten years have there been discussions to establish corporate governance norms in India. Though the structure in India for corporate governance talks about a holistic formulation of relationships between the shareholders and the stakeholders, unlike in the West, where only shareholder-oriented corporate governance is prioritised, the reflection of this holistic development is lacking in India. Through this research, the author aims to understand the reasons behind India's delayed corporate governance regime and how it differs from other significant economies in the world. This paper also examines the new regimes introduced through Clause 49 of the Listing Agreement[1] *and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023, for ensuring corporate governance norms in Indian companies. In conclusion, the paper offers recommendations for improving the Indian corporate governance model and suggests future directions.*

[1] Parag Basu, 'Corporate Governance in listed Companies - Clause 49 of the Listing Agreement' (*SEBI,* 29 October 2004) <https://www.sebi.gov.in/legal/circulars/oct-2004/corporate-governance-in-listed-companies-clause-49-of-the-listing-agreement_13153.html> accessed 10 May 2024

INTRODUCTION

linear. For a significant amount of the post-independence era, socialist policies burdened India's economy, contributing to the nation's sluggish and down-trending development rate, commonly known as the 'Hindu rate of growth[2]'. The post-independence leaders of India attempted to protect the country from economic catastrophes by means of government control and intervention. High tariff barriers, stringent import and export regulations, nationalisation of banks, centralised planning, complex industrial licencing requirements, and a high level of bureaucratic control were all part of their inward-looking approach to economic development. The Organisation for Economic Co-operation and Development (**OECD**) defines corporate governance as 'the system by which business corporations are directed and controlled[3].' The corporate governance structure, according to the OECD, outlines the rights and obligations of various shareholders and stakeholders in the company, including the Board, managers, shareholders, and other stakeholders. It also offers guidelines for policies and processes for deciding on matters pertaining to the company.

The final ten years of the 20th century saw the onset of globalisation, privatisation, and liberalisation. Because of this, the Indian economy is now more intertwined with the global economy in terms of labour, capital, and products. The criteria such as company culture, code of conduct, and business ethics are necessary for this integration. The prospectus may be strengthened with good company governance to draw in long-term investors. Corporate governance was greatly impacted by globalisation and privatisation in particular. Following globalisation, rising economies such as India drew international investors with their industrial

[2] Virmani and Arvind, 'India's Economic Growth: From Socialist Rate of Growth to Bharatiya Rate of Growth' (2004) 122 Indian Council for Research on International Economic Relations <https://www.econstor.eu/bitstream/10419/176144/1/icrier-wp-122.pdf> accessed 10 May 2024

[3] Mats Isaksson, 'Investment, Financing and Corporate Governance: The Role And Structure Of Corporate Governance Arrangements In OECD Countries' (*Organisation for Economic Co-operation and Development*, 21 October 1999) <https://www.oecd.org/corporate/ca/corporategovernanceprinciples/1931532.pdf> accessed 10 May 2024

policy changes offering enormous investment potential. India rose to the second-most desirable FDI destination for industrial investors in 2004[4].

Clause 49 of the Listing Agreement[5], mandated by the Securities Exchange Board of India ('**SEBI**'), has made corporate governance the norm for all listed companies in India. However, the corporate governance market is limited and the capital markets are still in the process of growth. Most Indian enterprises are predominantly managed by promoters and have a familial lineage. Corporate governance prioritises internal structures above external ones to enhance the company's worth. The establishment of the Securities and Exchange Board of India (SEBI) in 1992 was the pivotal event in the progression of corporate governance in India after the implementation of liberalisation policies. SEBI was established with the purpose of scrutinising governance matters and proposing governance laws and enhancements.

RESEARCH OBJECTIVES

- To understand why the Indian economy has taken so much time since Independence to adopt a sound corporate governance practice.
- To analyse different corporate governance policies practiced by other renowned Indian companies and inculcate them within the economy.
- Understanding how the government after addressing the corporate frauds in India has made changes to the existing laws ensuring corporate governance in a company.

RESEARCH QUESTIONS

- What are the reasons for the delay in the incorporation of the corporate governance mechanism in India?
- What kind of model of corporate governance should India follow keeping in mind the governance model in other developing or developed economies?

[4] Thomas A. Hemphill, 'Balancing International Trade Policy with National Security: The Dilemma of China and Foreign Direct Investment in the United States' (2007) 11(1) Competition & Change <https://doi.org/10.1179/102452907X166863> accessed 10 May 2024

[5] Basu (n 1)

- How has the Indian journey of corporate governance evolved in different phases throughout these years?
- What kind of regulations and laws have the Indian government formulated in order to ensure proper compliance with the corporate governance norms?

LITERATURE REVIEW

Corporate Governance in India – Evolution and Challenges[6] - This article seeks to examine the different advancements in Corporate Governance in India. The advent of novel technologies in the age of globalisation and liberalisation completely transformed the character of commercial transactions. As corporate life cycles evolved, commercial transactions got increasingly intricate, posing a significant challenge for businesses in controlling risk. Effective corporate governance has emerged as a crucial concept in addressing accounting scandals and alleviating mounting apprehension regarding the integrity of financial statements in India following the Harshad Mehta and Satyam scam.

In another paper titled, '*Corporate Governance Systems and Firm Value: Empirical Evidence from Japan's Natural Experiment*',[7] the author seeks to provide evidence that the implementation of a shareholder-oriented and transparent corporate governance structure by Japanese corporations leads to higher company value compared to the existing system of statutory auditors. The study's author has utilised panel data from companies registered on the Tokyo Stock Exchange to investigate the possible convergence of corporate governance systems. This is done by analysing the differences in value between Japanese corporations that choose one of two legal systems. The data is analysed using a random-effects panel regression. Tobin's q is the dependent variable in the study.

[6] M. Madhumathi, 'Corporate Governance In India-evolution and Challenges' (2011) 11(2) International Journal Of Creative Research Thoughts <https://ijcrt.org/papers/IJCRT1133063.pdf> accessed 10 May 2024
[7] Robert Eberhart, 'Corporate Governance Systems and Firm Value: Empirical Evidence from Japan's Natural Experiment' (2012) 6(2) Journal of Asia Business Studies 176 <https://doi.org/10.1108/15587891211254399> accessed 10 May 2024

Evolution of corporate governance in India and its impact on the growth of the financial market: An empirical analysis (1995-2014)[8] - The notion that increased shareholder protection encourages higher investment levels and other financial advancements is experimentally tested in this article. Regression analysis is then used to see if the more benevolent corporate governance has any impact on the expansion of the financial market. It is split into two halves. The first charts the development of Indian corporate governance standards. To ascertain the current tilt of the Indian corporate governance framework towards a shareholder primacy regime, a thorough qualitative and quantitative investigation has been conducted in this article.

A Comparative Study of Committee's Reports on Corporate Governance in India[9] - This paper talks about the scope of corporate governance that has been steadily growing since a number of scandals caused the business world to become warped. The phrase 'corporate governance' refers to the thorough disclosure of information and an explanation of an organization's financial status, operational efficiency, ownership and governance, shareholder connection, and adherence to moral principles and business ethics. It needs to have the capacity to restore the shareholders' faith and confidence in the company's management. Corporate governance has seen several changes since 1991, including the formation of committees and the enactment of new legislation or regulations.

In another article titled, '*Corporate Governance: Journey from Compliance to Competitive Advantage*',[10] the author has discussed the OECD principles of corporate governance. The article also elucidates the goal and objective of corporate governance along with examining the main factors that contribute to a growing need for effective corporate governance. Apart from this, the paper also highlights the risks associated with inadequate corporate governance processes.

[8] Shouvik Kumar Guha et. al., 'Evolution of Corporate Governance in India and Its Impact on the Growth of the Financial Market: An Empirical Analysis (1995-2014)' (2019) 19(5) Corporate Governance <https://doi.org/10.1108/cg-07-2018-0255> accessed 10 May 2024

[9] Manisha Sharma and Anita Rana, 'A Comparative Study of Committee's Reports on Corporate Governance in India' (2022) 2(3) Journal of Corporate Finance Management and Banking System <https://doi.org/10.55529/jcfmbs.23.36.51> accessed 10 May 2024

[10] Pankaj M Madhani, 'Corporate Governance: Journey from Compliance to Competitive Advantage' (2007) Enhancing Enterprise Competitiveness <https://ssrn.com/abstract=3113972> accessed 10 May 2024

Mounting empirical data indicates that effective company governance plays a pivotal role in enhancing competitiveness and fostering long-term value generation.

EVOLUTION OF CORPORATE GOVERNANCE IN COLONIZED INDIA

India's colonisation by the East India Company marked the beginning of the establishment of companies and the regulation of businesses in India, following the British model. India, due to its original division into multiple kingdoms and territories based on diverse cultural, political, and religious views, lacked a centralised governing authority for companies. Post colonisation and gradual takeover by the British government led to several colonial restrictions, many of which took into account the wishes and preferences of the British employers and applied to Indian groups and enterprises. The Companies Act of 1866[11] was amended in 1882[12] and 1913[13]. The Partnership Act was passed in 1932[14]. Due to the fact that these laws established legal agreements between persons or corporations to regulate other firms, they placed a strong focus on the controlling organisation model.

India is commonly perceived as a common law nation with an Anglo-American legal heritage, given its past as a British colony. The Joint Stock Companies Act, 1850, which was based on the English Joint Stock Companies Act, 1844[15], is the source of Indian corporate law. After India gained independence in 1947, its corporate law remained influenced by English law. The Bhabha Committee was partly constituted in reaction to the UK's Cohen Committee report, which suggested modifications to the English Companies Act, 1929, and whose suggestions eventually served as the foundation for the Companies Act, 1956.

The laws brought in by the British government were more focused towards managing these organisations and incorporated a model, whereby individuals or businesses entered into a valid agreement with corporate entities to oversee the latter. However, the colonizer's intention for

[11] The Indian Companies' Act 1866
[12] The Indian Companies Act 1882
[13] The Indian Companies Act 1913
[14] The Indian Partnership Act 1932
[15] P. M. Vasudev, 'Capital Stock, Its Shares and Their Holders: A Comparison of India and Delaware' (2006) Worldwide Junior Corporate Scholars Forum Conference <https://ssrn.com/abstract=913282> accessed 10 May 2024

incorporating such a model was for the purpose of creating a source of revenue for them and this led to dispersed and incompetent ownership, which again led to the mishandling and exploitation of resources and the aversion of management professionals to their duties. Industrialists were interested in producing many necessities soon after independence, and the government set reasonable prices and controlled the production of these goods[16]. The government had established the Tariff Commission[17] and the Bureau of Industrial Costs and Prices (**BCIP**). The Companies Act and the Industries (Development and Regulation) Act[18] were added to the legislative framework in the 1950s.

CORPORATE GOVERNANCE IN INDIA POST-INDEPENDENCE

India had busy stock markets, a thriving industrial sector, a somewhat developed banking sector, and a rather advanced corporate practice convention that evolved from British customs when it gained its independence in 1947. The Indian government adopted distinctly socialist policies from 1947 to 1991, nationalising the majority of banks and taking the lead in lending money to private companies for both debt and equity. The quantity of money spent was used to assess government agencies that supplied funding to private companies, as opposed to looking at the enterprises' returns on investment. Competition was stifled, particularly from abroad. Due to protracted court cases, difficulties enforcing claims in bankruptcy, and other factors, private suppliers of loan and equity capital had significant challenges in exerting supervision over management. Only prices established by the government could be used for public equity offers. In India, restricted governance and disclosure criteria specified in the Firms Act of 1956, the Listing Agreement, and the accounting standards of the Institute of Chartered Accountants of India (**ICAI**) were the only requirements that applied to public firms.

The first fraud to come to light was the Mundhra episode in Independent India. Entrepreneur and stock dealer Haridas Mundhra sold fake shares to LIC[19], defrauding it of Rs. 125 crores.

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[16] Bhumika Indulia, 'Evolution of Corporate Governance in India' *SCC Times* (13 November 2019) <https://www.scconline.com/blog/post/2019/11/13/evolution-of-corporate-governance-in-india/> accessed 10 May 2024

[17] The Tariff Commission Act 1951

[18] The Industries (Development and Regulation) Act 1951

[19] Indulia (n 16)

Justice Chagla headed a one-person panel that Mr Jawahar Lal Nehru formed to conduct an investigation. After being found guilty, Haridas received a 22-year prison term. The Teja loan ($220 million), the 1965 Kalinga tubes scandal, the 1974 Maruti scandal, the 1971 Nagarwala scandal ($6 million), the 1987 Bofors scandal, the 1985 Fodder scam ($9.5 billion), and the 1981 Cement scam ($300 million) are just a few of the politically motivated frauds that have occurred in India since independence.

There are three different periods for the growth of the Indian business sector. During the first phase, which began in the late 1960s when the country gained independence, 20 family groups dominated the corporate sector. These groups started out as traders in the pre-independence era and became pioneers in the post-independence industrialization of the nation. Strong political ties were forged by these family groupings, who also made full use of the licencing system to seize control of most of the industrial activities. Every group held substantial public shareholdings and controlled many firms, each with distinct shareholder groups. Family groupings possessed less than 10 percent of the shares in some companies, yet they nevertheless maintained control.

These conventional families were under tremendous strain during the second phase of growth, which might be referred to as the socialist period, which lasted from the early 1970s until the mid-1980s. In an apparent attempt to increase the number of entrepreneurs in the nation, a Monopolies Commission was formed during this time, and family group growth was restricted. During this period, a new type of entrepreneur emerged who took advantage of the situation and successfully challenged the established family groupings. All the same, the growth pattern did not alter, with the exception that the new groupings were progressively replacing the older ones. The new industrial groups followed the same system of corporate governance as the previous groups.

The liberalisation and globalisation of the Indian economy in 1991 marked the start of the third stage in the growth of the corporate sector in India. The business landscape in India is changing drastically, with competition taking the place of the previous safe haven. Indian companies are rethinking their strategies with a great deal of seriousness. Diversification of the industrial base was contingent upon the availability of industrial licences under the previous regulated

structure. Following the demise of such a system, the firms turned their attention to the idea of core competency. Companies are being sold off, new companies are being bought, and attempts are being made to expand operations to a global scale. Important corporate governance problems are also brought up by this process, including the need for management to be far more professional.

The biggest corporate fraud in India was admitted by B. Ramalinga Raju, founder and chairman of Satyam Computer Services who was one of the biggest and most respectable software and IT service providers in India on January 7, 2009. Raju admitted to manipulating the company's cash flows, income statements, and balance sheets for over seven years. Among India's many prominent software and information technology service providers, Satyam Computer Services stands out. The fraud was worth $1.47 billion. It was their intention to attract additional business and to protect themselves from the possibility of an adversarial takeover[20]. Fake cash deposits, misstatements of accounts receivable and payable, understatements of liabilities, and overstatements of assets were all reported by the founder and his accomplices; these lies were only uncovered when Raju attempted to acquire two other family-owned firms. India fell from third place in Asia to seventh place in the CLSA Business Governance Watch 2010[21] rankings as a result of a number of business scandals that occurred in the country.

REASONS FOR SLOW REFORMS IN INDIA

The vast majority of the most successful businesses in India are controlled by families, and the individuals who laid the groundwork for these businesses frequently possess sufficient authority to alter financial reports and critical company statements. In addition to this, they establish covert enterprises by means of a variety of cross-holdings, which then engage in actions that may be considered criminal within their businesses. The Satyam Scam is a prime example of how family obligations have had a detrimental effect on the implementation of

[20] 'India's Enron: Scandal hits India's flagship industry' *The Economist* (08 January 2009) <https://www.economist.com/business/2009/01/08/indias-enron-1> accessed 10 May 2024

[21] 'Culture and Corporate Governance Principles in India: Reconcilable Clashes?' (*Private Sector Opinion*, 20 August 2011) <https://documents1.worldbank.org/curated/en/557921468258857580/pdf/645890BRI0Indi00Box0361540B0PUBLIC0.pdf> accessed 10 May 2024

corporate governance reforms. The following elements contribute to the escalation of the fundamental concern of the concentration of ownership and control in a small number of individuals:

- There is a lack of desire among businesses and their management to seek governance improvements.
- There is an inadequate number of external monitoring mechanisms and regulatory agencies.
- There is a paucity of experienced independent directors.

The Securities and Exchange Board of India, which is supposed to be the most important regulatory body in the country, is intended to function independently from the government during its operations. Furthermore, the official financial reporting standards of India are, for the most part, in line with those of other countries throughout the world, which guarantees a high level of accountability and transparency. Nevertheless, there are occasional instances in which the application of governance regulations is not as stringent as it should be and is plagued by large gaps. Political constraints can occasionally have an impact on the independence and determination of the entities responsible for enforcement.

Regulatory bodies have advocated for comprehensive and stringent reforms in order to improve the reputation and integrity of listed companies, make it easier for new and existing businesses to gain access to capital, encourage transparency and accountability among corporate managers, and guarantee that international accounting and financial reporting standards are adhered to. The formation of the Securities and Exchange Board of India (SEBI) and the granting of its statutory powers in 1992 marked a watershed moment in the development of corporate governance in India. Subsequently, the government of India conducted a series of comprehensive and all-encompassing governance changes. These reforms were driven by the recommendations of four distinct governance committees, which were the Bajaj Committee in 1996, the Birla Committee in 2000, the Chandra Committee in 2002, and the Murthy Committee in 2003.

The power of the dominant shareholders has become a major issue. Family companies control 45% of corporate houses, which adds a layer of complexity to the application of corporate governance. The opportunity arises for the large owners to establish their influence over the smaller stockholders. Even the promoters have the chance to appropriate company value by abusing their influence through related party transactions (**RPTs**). Establishing corporate governance can be rather difficult when there are pre-existing relationships. The inclusion of independent directors enhances decision-making and fosters openness inside the organisation by bringing in a variety of viewpoints and areas of expertise. Even yet, many still struggle to maintain true independence and stay out of conflicts of interest. Therefore, finding and selecting directors who are genuinely independent and capable of offering unbiased advice has become a very tough task in today’s world. The directors play a very important role in both the management and the executive work of the company and when finding their true nature becomes an issue, the transparency within the firm cannot be guaranteed.

There has always been political instability in the country since the independence. Though the Indian National Congress had been dominating all the state and Lok Sabha elections, there was a lot of rifts amongst the ministers within the parties. Along with this political instability, poor relations with the neighbouring nations had kept India’s finances from meeting the expenses for wars. India had faced three state emergencies before the implementation of the Liberalization policy in 1991. Apart from this, the government's approach was too nationalized in promoting business in India. As said by many government jobs were very safe, there was no corporate governance mechanism within the Public Sector Enterprises and there was bare minimum privatization in the market to give these PSUs any kind of competition.

MAJOR REFORMS POST THE LIBERALIZATION POLICY

Establishing the Securities and Exchange Board of India (**SEBI**) in 1992 and gradually empowering it ever since has been arguably the most significant move in India's corporate governance and investor protection landscape. Under the able hands of the then Finance Minister, Dr Manmohan Singh, SEBI was finally given the power of the statutory body. The SEBI Act was initially designed to oversee and control stock trading and since then it has been instrumental in laying down the fundamental guidelines for business behaviour in the nation.

But the early 1990s saw a number of crises that raised questions about corporate governance in India, including the Harshad Mehta stock market scam in 1992, instances in which companies gave their promoters preferential shares at steep discounts, and instances in which companies just vanished with investors' money.

The Confederation of Indian Industry (**CII**) Code for Desirable Corporate Governance[22], spearheaded by a group chaired by Rahul Bajaj, was among the pioneering endeavours in this domain. The committee was founded in 1996, and in April of 1998, it submitted its code. Subsequently, SEBI formed two committees to probe the matter of corporate governance: the initial one, headed by Kumar Mangalam Birla, submitted a report in early 2000, while the second one, chaired by Narayana Murthy, presented its findings three years later. An analysis of the ideas put out by these influential efforts aimed at improving corporate governance in India. The recommendations put out by the SEBI committee have exerted the most significant impact on India's corporate governance framework.

SEBI, under the leadership of Mr. N.R. Narayana Murthy, formed the Narayana Murthy Committee[23] with the purpose of examining Clause 49 and proposing measures to enhance corporate governance standards. The SEBI Birla Committee report implemented a specific structure proposed by the CII. SEBI implemented the recommendations of the Birla Committee by incorporating Clause 49 of the Listing Agreements[24]. Starting from March 31, 2001, these regulations were enforced on companies that were included in the S&P C&X Nifty and BSE 200 indexes, as well as on all newly listed companies.

Recently, Clause 49 of the Listing Agreement underwent a revision by SEBI[25], which is now known as the 'New Clause' or the 'Clause'. With effect from October 1, 2014, the New Clause aims to strengthen the corporate governance framework for listed companies in India by adding new requirements and bringing the Listing Agreement's provisions into compliance with the

[22] Confederation of Indian Industry, *Report of The CII Task Force on Corporate Governance* (2009)
[23] SEBI, *Report of the SEBI Committee on Corporate Governance* (2003)
[24] Basu (n 1)
[25] 'Corporate Governance in listed entities - Amendments to Clauses 35B and 49 of the Equity Listing Agreement' (*SEBI*, 17 April 2014) <https://www.sebi.gov.in/legal/circulars/apr-2014/corporate-governance-in-listed-entities-amendments-to-clauses-35b-and-49-of-the-equity-listing-agreement_26674.html> accessed 11 May 2024

recently passed Companies Act, 2013. The New Clause's foundational ideas are the recognition of each shareholder's rights and the assurance of fair treatment for all parties involved in the business. In an effort to accomplish this goal, the New Clause has established an efficient corporate governance framework inside the business and is offering it quickly and accurately. Some of the major amendments are as follows:

Board of Directors: The New Clause gives independent directors more authority and accountability over corporate governance-related issues. The Clause includes procedures to guarantee the appointment and selection of independent directors in a transparent, impartial, and professional manner. If the chairman of the board of directors is a non-executive director, the clause maintains the need that at least one-third of the directors be independent directors. Independent directors should make up at least half of the board of directors if the company does not have a regular non-executive chairman.

Related Party Transactions: According to the New Clause, linked parties are not allowed to vote on special resolutions requiring the prior permission of the shareholders for any material RPT. Abuse of RPT can be stopped by requiring the consent of RPT from the majority of shareholders who are not engaged in the transactions. The responsibility of stopping the abusive RPT has been placed on the Audit Committee. RPT is currently reviewed by the Audit Committee regularly. Periodic checks are largely pointless because once a transaction is completed, it cannot be reversed. As a result, the New Clause stipulates that the Audit Committee must first approve all RPTs.

Subsidiary Company:[26] A few corporate governance principles are extended to significant subsidiaries of listed corporations by the New Clause. A subsidiary is considered material if its income or net worth is greater than 20% of the listed holding company's consolidated income or net worth, as applicable. According to the clause, the holding company's board must have at least one Independent Director who also serves as a director of the significant non-listed Indian subsidiaries. The unlisted subsidiary company's financial accounts will also be examined by the audit committee of the listed controlling company.

[26] *Ibid*

Whistle Blower Mechanism:[27] Under the New Clause, companies are obligated to establish a vigil mechanism that enables directors and personnel to report instances of fraud and unethical behaviour. Furthermore, the system must include adequate safeguards to prevent retaliation against the whistle-blower. Implementing a comprehensive legal structure for an effective whistle-blower system is a positive move, considering the increase in instances of corporate fraud and scandals.

Nomination and Remuneration Committee: The New Clause requires companies to form a Nomination and Remuneration Committee in order to develop standards for evaluating a director's independence, qualifications, and positive traits. The committee will also be responsible for recommending a policy regarding the compensation of directors, key management personnel, and other staff members. The Committee will be developing standards by which to assess independent directors and determine individuals who are qualified to be appointed as directors at the senior management levels.

The Securities and Exchange Board of India (**SEBI**) in India made changes to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**LODR**) by implementing the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023 (**Amendment Regulations**)[28]. The rationale behind this change is that the aforementioned organisations often face challenges in promptly filling crucial managerial roles, which can adversely affect their operational efficiency. Implementing a well-defined appointment schedule will ensure that publicly traded corporations, especially those held by families, can effectively carry out succession planning, thereby improving the overall functioning of these enterprises.

To ensure compliance with the recently implemented **Regulation 17(1D)** of the LODR, a listed company's board of directors must seek shareholder approval at least once every 5 years from the date of appointment or reappointment (whichever comes first).[29] According to **Regulation**

[27] *Ibid*
[28] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations 2023
[29] Companies Act 2013

30 of the Listing Obligations and Disclosure Requirements (LODR), listed companies are obligated to alert stock exchanges about particular events and information that are considered significant. **Regulation 30(2)** in conjunction with paragraph A of **Part A** of **Schedule III** provides a comprehensive list of occurrences that are regarded important and must be reported. Any event included in paragraph B of **Part A** of **Schedule III**, which the board deems to meet any of the criteria for significance indicated in **Regulation 30(4)**[30], must be revealed in accordance with **Regulation 30(3)**.

SEBI through these regulations has enforced a uniform 24-hour timetable for the disclosure of significant events or information under **Regulation 30**, except for disclosures that had specific timetables mentioned elsewhere in the LODR. The Amendment Regulations enhance transparency and establish certain timelines for disclosures according to **Regulation 30**. The timelines are as follows:

- The event or information will be announced 30 minutes after the board of directors meeting ends.
- If the event or information comes from within the listed company, it should be reported within twelve (12) hours of its occurrence.
- Within 24 hours of the event or information occurring, if it does not come from the listed company.

According to LODR **Regulation 30(11)**[31]**,** listed companies have the freedom to confirm or deny any information that was reported independently. Commencing on October 1, 2023, the 100 most prominent firms listed on the stock market (selected based on their total market value) will be obligated to promptly address any incident or information that suggests the possibility of a significant occurrence within a time frame of twenty-four (24) hours after the event or information becomes publicised in the mainstream media. They have the option to either affirm, deny, or offer an explanation regarding the matter.

[30] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations 2023, reg 30(4)
[31] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations 2023, reg 30

SUGGESTIONS FOR THE INDIAN MODEL

The shareholder has the authority to choose the board of directors under the Indian Model of Corporate Governance. The board members are in charge of creating top management policies and plans as well as play a vital role in governing the management team's performance. The government, regulatory bodies, and stock exchanges also from time to time make an effort to monitor the policies, plans, and activities of the corporations in order to ensure their compliance with the corporate governance norms. Additionally, investors' money in the business has to be secured at any cost since they play a major role in financing the corporation. The managers and board of directors strive to build the company while considering the interests of all investors and shareholders. However, while following the stakeholder approach in India, when it comes to the recording, preservation, and transmission of data and information about firms, information technology has taken centre stage. As a result of this sudden surge in the use of technology in India, businesses should have information technology frameworks in place to guarantee comprehensive, timely, pertinent, accurate, and easily available IT reporting, first from management to the board and then from the board to shareholders and stakeholders. This would ensure complete transparency within the company and with the regulatory bodies too.

In addition to encouraging accountability and transparency, the stakeholder approach also would guarantee the interests of employees, clients, and the greater community are taken into consideration and if not equal sitting at the table, then at least their demands are being heard and kept in mind while making any decisions. Corporate governance strategies are not one-size-fits-all, and Indian businesses may need to use elements of many models to create a customised approach that meets their specific goals and needs. In the end, strong corporate governance is about making sure that companies operate in a way that is morally sound, transparent, and accountable while generating value for all stakeholders.

Rather than comparing the Indian model with a model of economies let's focus on some of the business models in India that follow solid corporate governance norms. Some of the suggestions are as follows:

1. The Tata Group of Industries has earned a reputation for integrity and reliability due to its unwavering commitment to ethical values and transparent practices. The company has achieved a reputation for exemplary corporate citizenship as a result of its robust governance practices. The board structure consists of a diverse combination of independent directors and industry experts, ensuring accountability and ensuring a fair decision-making process. The Tata Group's unwavering commitment to ethical conduct and transparency standards, in addition to gaining the trust of stakeholders, has been crucial in their attainment of long-term growth and success.

2. Sun Pharmaceutical Industries has demonstrated exemplary corporate governance practices by emphasising the need for both risk management and stakeholder engagement. Furthermore, the company's board not only includes independent directors but also actively encourages gender balance and diversity. Sun Pharma has earned the trust of its stakeholders and investors via the implementation of rigorous internal controls and compliance procedures. The company's commitment to excellent governance, in addition to promoting sustainable growth, has enabled it to successfully overcome challenging challenges and emerge as a global leader in the pharmaceutical business.

3. Infosys Business Model: The business model that Infosys has created over time is founded on the ideals of integrity, openness, and creating value for shareholders. Infosys is dedicated to fostering a merit-based culture where accomplishments are recognised and incentivized. The organisation is highly regarded for its reliability and integrity due to its commitment to good governance standards and transparent disclosure procedures.

In addition to these Indian enterprises, the Japanese model of corporate governance should be seen as an exemplary standard for many economies, including India. Due to the cross-ownership policies that prioritise stable shareholding, the Japanese corporate governance model is typified by a stakeholder-oriented structure and a restricted market for corporate control. Corporate governance in Japan revolves around the management and employees. It is rarely seen that employees in Japan keep on switching their jobs or are not happy at their workplace. Strong collaboration between enterprises, banks, and the government, as well as an emphasis on social responsibility, are hallmarks of this model. Businesses using the Japanese model are frequently organised as single-tier boards, with a board of directors in charge of overseeing daily

operations and making decisions. However, in practice, making a decision usually requires deliberation and consensus-building with other stakeholders, including banks, suppliers, and government agencies. Under the Japanese model, firms typically view their obligations as extending beyond generating shareholder wealth, with a primary focus on social responsibility and long-term sustainability. This tactic is observed to be a long-term means to foster stability and cultivate trust with stakeholders.

A WAY FORWARD

According to a study by PRS Legislative Research[32], 53,000 lawsuits were outstanding in India's Supreme Court, 4 million cases pending in different High Courts, and 27 million cases pending in various other courts as of July 2009. This represents a 139% increase for the Supreme Court, a 46% increase for the High Courts, and a 32% increase for the subordinate courts when compared to the number of cases outstanding in each of them in January 2000. Furthermore, in 2003, the High Courts had not settled 25% of the pending cases for almost 10 years, and in 2006, 70% of all inmates in Indian jails were awaiting trial.

The governance system in India can be characterised by the significant advantages of opportunities for quick growth and substantial earnings for successful individuals, as well as the comparatively minimal consequences for engaging in corporate misconduct due to insufficient supervision and penalties. Excessive and forceful efforts to manage the advantages, such as imposing regulations or control over salary levels, hiring and promotion decisions, investment decisions, and other aspects, may unintentionally and potentially harm ambitious growth and profitability goals, retain talented individuals, and hinder necessary entrepreneurial activities.

It is not easy to implement and sustain good corporate governance procedures in India. Ensuring that firms adhere to ethical standards, transparency obligations, and accountability for their acts necessitates the establishment of thorough and well-defined legislation, which should

[32] 'Vital Stats: Pendency of Cases in Indian Courts Pendency of Cases in Indian Courts' (*PRS Legislative Research,* 26 August 2009) <https://prsindia.org/files/parliament/vital_stats/1251796330--Vital%20Stats%20-%20Pendency%20of%20Cases%20in%20Indian%20Courts%2026Aug2009%20v10.pdf> accessed 11 May 2024

be the goal for not only the regulatory bodies but also the companies themselves. It's possible that many investors, especially small investors, do not fully comprehend the significance of corporate governance rules. Consequently, it is essential to inform investors about the value of good governance procedures and the ways in which they may safeguard their interests. Well-informed investors take a more active and outspoken role in keeping corporations responsible, which in turn fuels the need for good governance.

Indian businesses will attract the loyalty of both local and global investors if they adhere to all corporate governance best practices. Regulation alone cannot ensure the efficacy of a corporate governance system, and no corporate governance structure should be considered static. As levels of competition increase, the environment in which firms operate also changes, and corporate governance systems have to adapt to this dynamic context. It is high time that India focuses on reviving the feeling of strong corporate governance norms in companies rather than forcefully implementing them.