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*Authored By*  
**Karthik Anand**  
Assistant Professor in Law, SDM LAW College, Mangalore, India.

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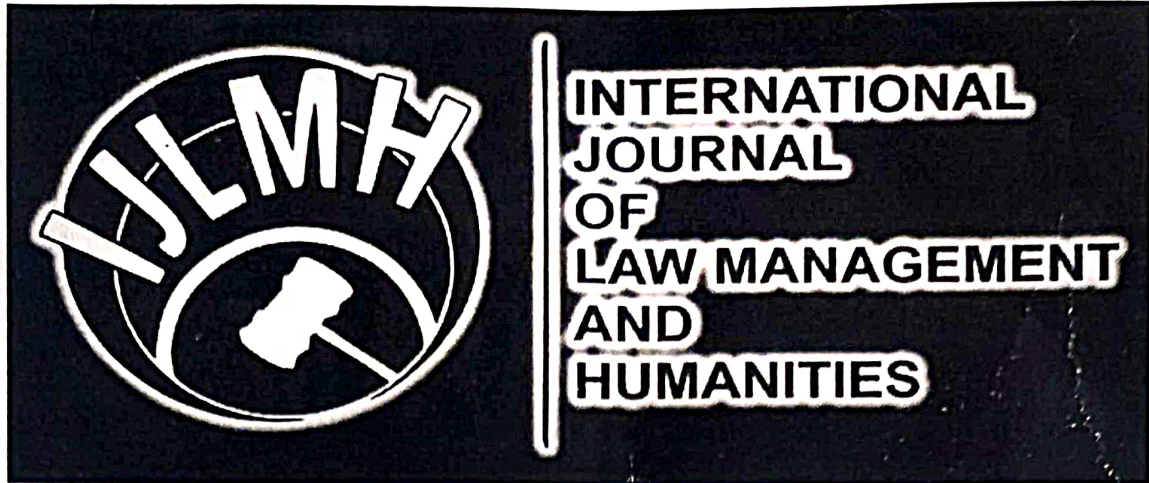
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**Publisher:** Mr. Gyan Prakash Kesharwani  
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**Email:** [submission@ijlmh.com](mailto:submission@ijlmh.com)

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394

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# External and Internal Rules of Corporate Governance

KARTHIK ANAND<sup>1</sup> AND SUREMYA SL<sup>2</sup>

## ABSTRACT

*The corporate governance mechanisms can be categorized into two types: internal and external governance mechanisms. The internal governance mechanisms primarily focus on boards of directors, ownership and control, and managerial incentive mechanisms, whereas the external governance mechanisms cover issues related to the external market and laws and regulations. Corporate Governance refers to practices by which organisations are controlled, directed and governed. In the context of liberalization and globalization there is growing realization in the emerging economies including India that a country's business environment must be maintained and operated in a manner that is conducive to investors' confidence so that both domestic and foreign investors are induced to make adequate investment in corporate companies. This will be conducive to rapid capital formation and sustained growth of the economy.*

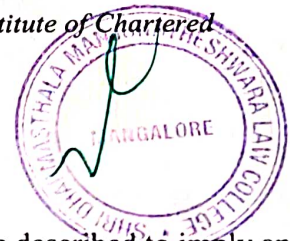
*Finally, the paper deals with The Companies Act, 2013 provisions relating to board constitution, board meetings, board processes, independent directors, general meetings, audit committees, related party transactions, disclosure requirements in financial statements, Securities and Exchange Board of India (SEBI) Guidelines, Standard Listing Agreement of Stock Exchanges, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), Section 129 of the New Companies Act.*

## I. INTRODUCTION

The word company has no strictly technical or legal meaning. It may be described to imply an association of persons for some common object or objects. The purposes for which may associate themselves are multifarious and include economic as well as non economic objectives. Section 2(20) of the 2013 Act defines the term "company" to mean "a company incorporated under the Companies Act 2013 or any previous company law." Accordingly, a company, which is incorporated under the relevant legislation of a foreign country, will not qualify as a "company" under the 2013 Act The proviso to section 2(71) states that "a company which is a subsidiary of a company, not being a private company, shall be deemed to be public

<sup>1</sup> Author is an Assistant Professor in Law at SDM LAW College, Mangalore, India.

<sup>2</sup> Author is an Assistant Professor in India.



396

company for the purposes of this Act.”<sup>3</sup>

### **Importance of corporate Governance**

Company governance is critical for the below mentioned reasons:

- It shapes the increase and future of capital markets of the financial system.
- It enables in raising funds from capital markets. Sound governance practices contribute to investors self belief in businesses to attract long-time period capital.
- It hyperlinks organisations control with its financial reporting system.
- It enables management to take revolutionary decisions for powerful functioning of the business enterprise inside the criminal framework of duty. The effectiveness of criminal and regulatory framework is integral to assess the impact of company governance on standard monetary performance.
- Precise company governance enhances the systems via which objectives of the corporations are set, means of accomplishing such objectives are decided and overall performance is monitored.
- It helps buyers via making corporate accounting practices obvious. company companies disclose monetary reporting structures.
- It affords adequate and timely disclosure reporting necessities, code of behavior and so forth agencies gift fabric charge sensitive data to outsiders and ensure that till this information is made public, insiders abstain from dealing in corporate securities. It, for that reason, avoids insider trading
- It improves performance and effectiveness of the employer and adds to wealth of the financial system. Corporate governance is an device of economic boom.
- It improves international image of the corporate area and allows home agencies to elevate global capital.<sup>4</sup>

### **The Benefits to Shareholders**

Company governance can offer the right incentives for the board and control to pursue objectives which might be in the hobby of the enterprise and shareholders, as well as facilitate powerful tracking. Better company governance also can offer shareholders with greater protection on their funding.

Higher corporate governance additionally guarantees that shareholders are sufficiently

<sup>3</sup> Taxmann's Company Law and Practice, A Comprehensive text book on Companies Act 2013, Dr. G.K Kapoor and Sanjay Dhamija, 21<sup>st</sup> Edition 2016 P.No 2.1 to 2.3

<sup>4</sup> [https://shodhganga.inflibnet.ac.in/bitstream/10603/125485/7/07\\_chapter%201.pdf](https://shodhganga.inflibnet.ac.in/bitstream/10603/125485/7/07_chapter%201.pdf) last visited on 03.02.2020



399

knowledgeable on decisions regarding fundamental problems like amendments of statutes or articles of incorporation, sale of belongings, and so on.

### The benefits to the country wide financial system

Empirical proof and studies performed in current years supports the proposition that it can pay to have right corporate governance. It was located out that extra than 84% of the worldwide institutional investors are willing to pay a top rate for the stocks of a nicely-ruled business enterprise over one taken into consideration poorly ruled but with a similar financial file. The adoption of corporate governance concepts – as exact company governance exercise has already shown in other markets – can also play a position in increasing the corporate fee of organizations.

Proponents of company governance say there's a direct correlation between exact company governance practices and lengthy-term shareholder fee. Some of the key benefits are:

- Excessive overall performance boards of directors;
- Accountable control and robust internal controls;
- Elevated shareholder engagement;
- Better controlled hazard; and
- Effectively monitored and measured performance.<sup>5</sup>

## II. CONSTITUTIONAL MANDATE OF CORPORATE GOVERNANCE

India is a welfare state and the constitution begins with phrases, "we the people of India". The agency is an instrument of state and controls the businesses through their strict guidelines and law. The government is a major regulator of company governance Constitution of a rustic spells out the fundamental principles or precedents on which the country is organized. It lays down the shape of the political structures under which its humans are to be governed. It establishes the principle organs of the nation – the legislature, the executive and the judiciary allocates to them exceptional capabilities, defines and delimits their powers, demarcates their duties and regulates their function with each other and with the human beings. The constitution specifies the last place of sovereign powers and regulates the workout thereof. In democracy, sovereignty vests in the people. The human beings are their own masters and ideally they govern themselves.<sup>6</sup>

Article 38 directs the state "to promote the welfare of the humans by securing and protecting

<sup>5</sup> <https://taxguru.in/sebi/corporate-governance.html> last visited on 03.02.2020

<sup>6</sup> Subash C. Kashap, *Constitutional Law of India 3* (Vol. 1) 2008

as efficiently as it could be a social order wherein justice, social, economic and political institution of national life. Article 39 of the most disputed article which brought on several amendments inside the constitution, asks the nation to make certain standards of Directive ideas of nation policy are to be observed.

Again Article 41 directs the nation to soak up step inside restriction of its economic capacity and improvement for making powerful provisions for securing the right to paintings, to schooling and public help in case of unemployment, vintage age, sickness and disablement and different cases of undeserved need.

The wealth of our nation ought to not be listen to not unusual detriment that is vital to make the people free in the actual senses girls and children ought to be saved from exploitation. Youngsters ought to be allowed to develop. From the early years of planning in our social justice has been one of the essential objectives of the making plans process.<sup>7</sup> An evaluation of the achievements of our five years plans indicates how the principal goal of making plans has been raising the same old of residing of the people through supplying new opportunities and to lessen inequalities in income wealth and opportunities. The numerous policies projected in the plan relating to licensing and taxation, the operation of corporations Act with modification and the commercial development and regulation Act had been all supposed to save you attention of concentration of wealth.<sup>8</sup>

Democratic socialism is enshrined in Directive principles of State Policy includes. The important features of democratic socialism are as follows

- (1) The most intention of socialist society is removal of poverty and the provision of a country wide minimal.
- (2) A socialist financial targets at the reduction of inequalities of profits and wealth of citizen.
- (3) A socialist financial system on the provision of same possibilities to all.
- (4) Religion in blended financial system, in contrast to medical socialism i.e. communism.
- (5) A socialist economic system endeavour to lessen attention of economic strength and the increase of monopolistic inclinations.
- (6) The simple advent of making monetary dialogue in socialist economic system isn't for non-public income but social benefit.
- (7) Religion in democratic values for the enrichment of person and communal life.

<sup>7</sup> Sirajul Islam Laskar, Directive Principles of State Policy in Indian Constitution, 43(1988)

<sup>8</sup> B.R. Sharma, Economic Justice under Indian Constitution, 237 (1984)



The philosophy of democratic socialism is based totally on a total imaginative and prescient of society. It implies that fabric prosperity cannot make human wealthy and significant<sup>9</sup>

### III. LEGISLATIVE AND OTHER REGULATORY GOVERNING CORPORATE GOVERNANCE

#### Internal Corporate Governance Mechanisms

Inner mechanisms are the ways and methods utilized by the companies which assist the management in enhancing the price of shareholders. The materials of inner mechanisms encompass ownership shape, the board of administrators, audit committees, repayment board and so on.

i. The Board of directors: Board of the administrators is the main peoples of the company and for the few agencies they may be the backbones of the commercial enterprise. They have greater authorities and responsibilities of the commercial enterprise firm and they keep track on tracking and controlling all sports of the control so that it will maintain the business overall performance at the track as well as shield the interest of stakeholders, moreover, board of directors is responsible legally for the choices they make on behalf of their company and additionally they are greater permitted to lease a brand new member or employee for the company. On the time of auditing, they're liable for the financial facts provided to them regarding with the firm.

ii. There are three styles of directors: Internal, External and Independent Administrators. Internal administrators working inside the organization, outside director's paintings from outdoor business, they work for numerous companies on board, independent directors hold their popularity objectively and gift their personal manner of selections.

iii. Board Committees: Board committees are the additional a part of the board of directors they're involved in the ones activities that are assigned with the aid of the board of contributors to them. According to the nature of commercial enterprise, board committees are regulated by using the legal guidelines and regulations issued by means of the employer. It completely relies upon on the country's laws and regulations whether or not the advent of those varieties of committees should be mandatory for the firm.

iv. Economic Statements and Auditors: monetary statements are the facts which incorporates the organization data and transactions. Each business enterprise desires to give their economic reviews on the quarterly and annual basis and get them checked with the

<sup>9</sup> Aparjita Baruh, Preamble of the Constitution of India, 185 (2007)

auditors. The actual photograph offered by using the auditors famous the authentic monetary photograph of the firm which in addition becomes the data for the parties involved with the firm either directly or indirectly. On the basis of these economic statements, stakeholders create their statements of motion toward the company. They make up their thoughts to put money into the ones corporations, on the alternative facet if the stakeholders locate the report within the bad aspect, it's going to in addition bog down their trust degree in favour of the firms.

v. Possession structure: that is some other manner of controlling the control a part of the corporation. This way a commercial enterprise can hold its pleasant tracking and controlling system for the better performance of all the functioning of the business firm.

vi. Inventory-based repayment: To get rid of the precept and agent prices trouble, the quality answer is to offer shareholders hobby on time and proper compensation to the employees. Inventory-based reimbursement helps the shareholders in motivating the inner managers for attaining the long terms targets of the corporation.

#### External Control Mechanisms

Every now and then inner mechanism lacks in itself whilst appearing the best for the corporation. This time outside factors play a crucial function in controlling the company governance mechanism of the enterprise firm. The components of external governance mechanism include market factors, intermediaries, items and services prevailing inside the market, managers of labour marketplace and so on.

The financial market: inventory marketplace performs a good sized function in company's u.s.and downs. there's a direct relation between the market fee of the firm and the performance of the managers. In case if the shareholders begin promoting the stocks of the corporation because of somehow cause and if the manner is going on in large wide variety further then certainly the market fee of the firm starts declining. This way the organisation who is losing its marketplace price may additionally end up the target of acquisition with the help of different large agency. due to the chance of acquisition, the management of the firm can adopt the poor actions like adopting corporation fees coverage or any other approach for you to shield their business.

The marketplace of goods and offerings: opposition is some other aspect which leads the commercial enterprise firm. If the society does no longer like the products and offerings offered via a business company then it will become natural that their enterprise starts declining and further it is able to lead to a discount in the earnings ratio of the enterprise firm. as a result business enterprise needs to adopt timely researchers and survey with a purpose to faucet the

resources in accordance with the market requirements.

The Labour market for Managers: In controlling system, human capital is the idea which can be occasionally controlled and sometimes no longer. If the managers are rather conservative and strict to their employees than the labour market can move in against with the enterprise and might damage the resources of the firm so that you can fulfill their demands. This procedure needs a proper choice of ready manager (who controls the lower magnificence employees) ought to be accomplished so as to create a proper stability of coordination between the managers and the personnel.

### **Legal framework of corporate governance**

In well known company governance is that mechanism with the assist of which the control of the company can be properly controlled, controlled and governed in a particular manner. The main objective of governance mechanism is to make make sure that the rights of stakeholders couldn't be curbed by the inner control of the organisation and furthermore enterprise management must be held responsible towards their stakeholder so as to maintain accept as true with and guard their interest. in an effort to affirm a proper company governance mechanism, the government of India has built a certain set of standards or in different phrases a statutory framework for the corporate global. By way of thinking of worldwide excellent mechanisms, the Indian authorities have set this statutory framework regarding with corporate governance. Following listing ensures the main agreements come under that statutory framework:

1. Stock exchanges wearing preferred list agreement: Those settlement are to be signed with the aid of the groups who've their shares listed on inventory exchanges.
2. The companies Act, 2013: this act guarantees proper duty and transparency of the company as all businesses have to make sure that they follow all of the statutory provisions related to board meetings and meetings, audit committees, business transactions associated with other events, disclosures of all economic statements and so forth.
3. Accounting norms and requirements: Accounting norms and requirements are the provisions set by means of Institute of Chartered Accountants of India (ICAI). in line with New groups Act, phase 129, there should be transparency in all corporations' bills and regulations. Furthermore, ICAI ensures that the objects concerned ineconomic statements of the enterprise must be as in step with the accounting norms and requirements.
4. SEBI (Securities and change Board of India) recommendations: SEBI is the authority of law who controls the indexed corporations and problems numerous suggestions, guidelines and

rules in phrases of preserving traders in market.

5. Secretarial requirements issued via the Institute of enterprise Secretaries of India (ICSI): This regulatory frame is an self sufficient body which troubles a positive set of standards and provisions for various companies under the act. There are requirements issued by means of Institute of company Secretaries of India i.e. SS-1, conferences of the Board of administrators and some other is SS-2, Secretarial requirements on standard meetings these varieties of provisions got here into pressure on July 1, 2015.

Further, the organizations Act 2013, has improved the ranges of debate topics inside the Board meeting of India. New subjects may additionally encompass gender diversity not to be involved, the disclosure of norms and standards, women directors' enhancement in control, delegating corporate social responsibility, increasing the role of independent directors, retaining protect for the interest of minority shareholders, and creating certain benchmarks for higher corporate governance. In a global perspective, a terrific company governance mechanism has to be created so as to improve the environment of the commercial enterprise in phrases of religion, clarity, and answerability. good mechanism allows in assisting sustainable increase and economic stability for the employer.

### **The Companies Act, 2013**

The authorities of India has recently notified Companies Act, 2013 ("New Act"), which replaces the erstwhile Companies Act, 1956. The new Act has extra emphasis on company governance through the board of directors, the new Act covers company governance via its following provisions:

New Companies Act introduces big changes to the composition of the boards of administrators.

1. Each employer is required to employ 1 (one) director on its board.
2. Nominee administrators shall no longer be dealt with as impartial administrators.
3. corporations and distinct classes of public organizations are required to appoint unbiased administrators and ladies administrators on their forums.
4. New Companies Act for the primary time codifies the responsibilities of administrators.
5. listed agencies and certain other public companies shall be required to rent as a minimum 1 (one) female director on its board.\
6. New Companies Act mandates following committees to be constituted with the aid of the board for prescribed class of corporations:

7. Audit committee
8. Nomination and remuneration committee
9. Stakeholders committee
10. Corporate social obligation committee.<sup>10</sup>

### **Securities and Exchange Board of India (SEBI) Guidelines**

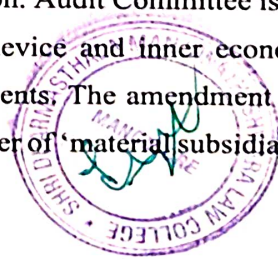
SEBI is a regulatory authority established on April 12, 1992. SEBI changed into hooked up with the primary cause of curbing the malpractices and protective the hobby of its investors. Its major goal is to alter the sports of stock change and on the equal time ensuring the wholesome development within the financial marketplace that allows you to make certain appropriate company governance SEBI got here up with precise corporate Governance Norms.

1. As in line with the new guidelines the groups are required to get shareholders popularity of RPT (associated birthday celebration Transactions), it hooked up whistle blower mechanism, clean mandate to have at the least one female director in the Board and moreover it elaborated disclosures on pay applications.

2. Clause 35B of the listing settlement is being amended with the aid of the regulatory authority. Now as consistent with the amended clause, listed organizations are required to offer the choice of e-vote casting to its shareholders on all proposed or passed at preferred conferences. individuals who do now not have get entry to e-balloting facility, they should be supplied to solid their votes in writing on Postal ballot. There has been the need to amend the availability so that the provisions of the listing agreement can be aligned with the provisions of a companies Act, 2013. With the aid of doing so an additional requirement can be provided to bolster the corporate Governance norms in India with appreciate to indexed businesses.

3. Clause 49 of the listing agreement became additionally amended by means of SEBI if you want to boost up the company Governance framework for listed companies in India. The revised clause forbids the independent directors from being eligible for any kind of stock choice. Whistle blower coverage is likewise brought inside the revised clause whereby the administrators and personnel can document any unethical conduct, any fraud or if there is violation of Code of conduct of the organisation via the modification. Audit Committee is also greater, now it will include evaluation of hazard management device and inner economic manage, will maintain a test on inter-corporate loans and investments. The amendment now requires all the companies to shape a policy for the cause of willpower of 'material subsidiaries'

<sup>10</sup> <http://www.mondaq.com/pdf/clients/456460.pdf> last visited On 02.02.2020



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4. SEBI (Issue of Capital and Disclosure Requirements) regulation, 2009.. This law includes provisions for non-public issue in which the company shall satisfy the conditions mentioned below the law, it additionally contains provisions concerning limit on proper issue. It also carries provisions concerning list of Securities on stock exchange wherein in-principle is to be acquired via the company from regarded stock trade. part A of time table XI of this rules talks about disclosure in red Herring prospectus, Shelf prospectus, and Prospectus wherein it's miles the obligation of company to make sure that every one fabric facts and reports had been submitted previous to the difficulty. It additionally makes it very clean that underwriting duties would no longer be restricted to any type of minimal subscription level but it'd be applicable to the complete issue. All such regulations are instrumental in ensuring exact company governance.

5. SEBI (Listing obligations and Disclosure Requirements), 2015. The LODR guidelines have been notified with the goal of simplifying the existing provisions of listing agreements for unique segment of capital markets like convertible and non-convertible debt securities, equity shares and many others. it calls for all indexed entities to make disclosure and abide by using the provisions of these regulations. indexed entities shall make certain that administrators, KMP or another person related to the employer shall adhere to the obligations assigned to them below this law. The cause right here is to ensure that after the stocks of a business enterprise is listed on a stock change they are without difficulty handy to the ordinary non-public. The organization secretary who will be the 'Compliance Officer' of the corporation shall ensure compliances and have to also offer the 'Compliance certificate' to inventory Exchanges. listed organizations shall have a policy for 'maintenance of documents' approved by way of Board.

6. SEBI (Prohibition of Insider buying and selling) Regulations, 2015. Insider buying and selling in keeping with se isn't always a violation of regulation however what's prohibited is trading by using an insider on the premises. To prevent such buying and selling SEBI came up with this law. Below this, the limit is company insiders who arrive at buying and selling choices by way of using the rate sensitive facts directly or circuitously. Beneath this the disclosure mandated at two exceptional ranges, one is the immediately disclosure of fabric records even as the other is regarding disclosure of transactions undertaken. The former prevents insider buying and selling, the latter exhibits the insider buying and selling. Insiders may be confined from dealing in securities for a selected term with the intention to prevent them taking benefit of any fabric records before the shareholders or private. A circumstance can be imposed upon the insiders to reap a prior approval earlier than dealing in securities of an agency

7. SEBI got here up with many other guidelines like law on Fraudulent and Unfair Trade Practices, policies on sizable Acquisition of shares and Takeovers, difficulty of Sweat equity and so on. The main intention in the back of coming up with such law, policies etc is to make certain excellent corporate governance in a company.

### **The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) specify the responsibilities of 'indexed entities', a term that consists of not handiest those entities that have indexed their fairness stocks, however additionally people who have indexed different contraptions, along with non-convertible debt securities, non-convertible redeemable choice shares, , perpetual non-cumulative preference shares, Indian depository receipts, securitised debt instruments and units issued by mutual funds.. The listing rules units out the corporate governance ideas relevant to indexed entities.

The Listing Regulations make it Compulsory for organizations that have listed their fairness stocks and convertible securities to comply with sure requirements to make certain transparency in the control of such organizations, such as inclusion of IDs, law of the remuneration of non-govt administrators, constitution of various committees, disclosures on related party transactions (RPTs), accounting remedy, maintenance of a minimum frequency of meetings of the board of directors (Board) and quandary at the range of committees of which a director can be a boss. The listing regulations additionally require the adoption of a written code of conduct for all members of the Board and senior management of every indexed company. Additionally, the following laws also deal with corporate governance initiatives:

- Securities Contracts (Regulation) Act, 1956;
- Securities and Exchange Board of India Act, 1992 and the rules and regulations framed thereunder;
- Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the Takeover Code);
- Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (the Insider Trading Code);
- Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- Depositories Act, 1996;
- Corporate Governance Voluntary Guidelines, 2009 issued by the MCA;



National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011 issued by the MCA; and Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises issued by the Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises (effective 1 April 2014 and applicable only to public sector enterprises).

Non-compliance with the provisions of the Companies Act on corporate governance attracts monetary fines, imprisonment, or both. Further, any failure on the part of a listed company to comply with the Listing Regulations may lead, inter alia, to one or more of the following consequences: imposition of fines; suspension of trading; freezing of promoter or promoter group holding of equity shares; and other actions being initiated by SEBI, depending on who violated the provisions of the Listing Regulations.

A committee was constituted by SEBI under the chairmanship of Mr Uday Kotak, Executive Vice Chairman and Managing Director, Kotak Mahindra Bank (the Kotak Committee) in June 2017 with the aim of improving standards of corporate governance of listed companies in India. The Kotak Committee was requested to make recommendations to SEBI on the following issues (in the context of equity listed companies):

Ensuring independence in spirit of IDs and their active participation in the functioning of the company;

- Improving safeguards and disclosures pertaining to RPTs;
- Issues in accounting and auditing practices by listed companies;
- Improving effectiveness of Board evaluation practices;
- Addressing issues faced by investors on voting and participation in general meetings;
- Disclosure and transparency related issues, if any; and
- Any other matter, as the committee deemed fit pertaining to corporate governance in India.

The Kotak Committee submitted its report to SEBI on 5 October 2017, providing its recommendations on various issues. In its Board meeting dated 28 March 2018, SEBI accepted certain recommendations of the Kotak Committee (without any modification), such as recommendations pertaining to reduction in the maximum number of listed entity directorships, expanding the eligibility criteria for IDs, enhancing the role of the audit committee, nomination and remuneration committee (NRC) and risk management committee (RMC), and enhancing disclosure of RPTs and permitting related parties to vote against RPTs.



The Board of SEBI also accepted certain recommendations (with modification), such as recommendations pertaining to minimum number of directors in listed companies, number of woman IDs, separation of the roles of managing director (MD), chief executive officer (CEO) and chairman, quorum for board meetings, holding of annual general meetings (AGMs), and shareholders' approval for royalty or brand payment to related parties.

Subsequently, SEBI notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 (Amendment Regulations) on 9 May 2018 and issued a circular on 10 May 2018 to implement the recommendations of the Kotak Committee. Except where specific dates are provided in the Amendment Regulations, the Amendment Regulations will come into force on 1 April 2019.

#### **Primary Government Agencies enforcing rules and Regulations**

The primary Indian implementation entities of corporate governance initiatives are SEBI (the primary regulator of the Indian securities market and listed companies) and the MCA.

Other entities responsible for the enforcement of corporate governance issues include:

The National Company Law Tribunal (the Tribunal) under the Companies Act, having quasi-judicial powers to decide certain matters under the Companies Act, including the protection of minority shareholders from oppression by majority shareholders and mismanagement, and its appellate authority, the National Company Law Appellate Tribunal (the Appellate Tribunal);

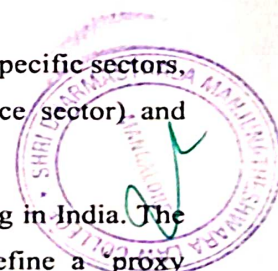
The Registrar of Companies (ROC), which generally has its presence in every Indian state, and primarily ensures compliance by a company in relation to filings and disclosures under the Companies Act;

The Regional Director (RD), to which certain powers of the central government have been delegated. There are seven RDs in India, each with their own territorial jurisdiction, in which they, inter alia, supervise the working of the relevant ROCs; and

the Competition Commission of India (CCI), created under the aegis of the Competition Act, 2002, which regulates antitrust issues where a company's action may have an adverse effect on competition in the relevant Indian market.

There are also other regulatory authorities that regulate companies engaged in specific sectors, such as Insurance Regulatory and Development Authority (for the insurance sector) and Telecom Regulatory Authority of India (for the telecom sector).

The concept of shareholder activist groups or proxy advisory firms is emerging in India. The SEBI (Research Analysts) Regulations, 2014 (the Analyst Regulations) define a proxy



adviser' as any person who provides advice, through any means, to an institutional investor or shareholder of a company, in relation to exercise of their rights in the company including recommendations on public offer or voting recommendation on agenda items. Institutional Investor Advisory Services India Limited and InGovern, both established in 2010, are prominent proxy advisory firms operating in India. Stakeholders Empowerment Services, a corporate governance research and advisory firm, claims to be the first company to have registered as a 'proxy adviser' under the Analyst Regulations; however, these firms are not formally consulted by the authorities prior to promulgation of corporate governance initiatives. Usually, committee recommendations and proposed regulatory norms are put up for public comment by concerned authorities in order to ensure large-scale participation. The National Foundation for Corporate Governance, set up by the MCA as a not-for-profit trust, in association with the Confederation of Indian Industry, the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India (ICSI), also provides a platform for spreading awareness regarding corporate governance issues.<sup>11</sup>

#### IV. ISSUES IN CORPORATE GOVERNANCE IN INDIA

Although there exist many issues in the field of Corporate Governance especially in India, an effort has been made to highlight only the major ones here:

##### **Board performance**

The requirement of at least one female director is vital, and also the stability of executive and non-govt administrators aren't maintained. Assessment is not executed from time to time and transparency is lost somewhere. The overall performance isn't end result oriented those requirements aren't always met with.

##### **Independent Directors**

Independent administrators are appointed for a cause which does not appear to be fulfilled in the cutting-edge situation. Even after SEBI recommendations being issued to the corporate, for the appointment of an audit committee or giving of a comprehensive definition of the independent directors, the real situation seems to be worse accountability to Stakeholders

##### **Privacy and Data Protection**

This is an critical governance issue. Cyber security has evolved to be the maximum essential factor of contemporary governance. excellent governance can only be finished as soon as the

<sup>11</sup> <https://www.lexology.com/library/detail.aspx?g=673fd913-c212-42bc-9d9c-a0eb14002359> last visited on 03.02.2020

directors and different leaders within the organisation are widely recognized about the hazards on this discipline Corporate Social Responsibility (CSR)

Being among the few countries to legislate on CSR, it is mandatory for companies to invest minimum 2% of the profits in the last 3 years for CSR activities. Otherwise proper reasons should be mentioned in the reports in case of failure. The companies seem to be reluctant towards making such investments.<sup>12</sup>

## V. SUGGESTIONS

“Corporate governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders”.

- Institute of Companies Secretaries of India

In step with the issues mentioned above, there is an extra onus upon the directors of the groups to conform to the standards and first-class practices furnished in various legal guidelines and rules. Apart from the laws and norms prescribed through numerous establishments once in a while, the agencies also are expected to behave responsibly toward the society as an entire because the corporate are so big inside the contemporary instances, that they affect every and each man or woman citizen of the country equally. The burden on the businesses is already reduced as they're made to comply with a set of hints and they're now not required to make any amends to that. It's also required that the stakeholders additionally take part in the choice making approaches to make it a contributory task altogether.

## VI. CONCLUSION

The more the level of company governance, the more potent is the organisation within the eyes of the shareholders of the organization. The impartial and the active directors are the ones who infuse and contribute toward showing the company as that of having good outlook. When it comes to funding, the investors additionally are trying to find to locate the organizations with more potent company governance in them. The corporate governance necessities in India deliberate the organizations to audit their operating culture and give the shareholders community a more positive outlook as their actions have ethical and prison implications. The new norms after the Companies Act 2013 got here into the are very balanced and progressive they have got helped reformed the growth of Indian organizations as consistent with global

<sup>12</sup> <https://blog.ipleaders.in/corporate-governance-india/> last visited On 03.02.2020



standards, Shareholders are involved within the decision making of the organizations and diverse safeguards had been put so as in order that the hobbies of the shareholders and the society as an entire is not sidelined. Corporate Governance imbibes the plenty-required transparency within the corporate. Consequently, it pushes India in advance in the race of rising economies of the arena.

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