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CORPORATE GOVERNANCE AND CORPORATE ACCOUNTABILITY IN INDIA: A CRITICAL ANALYSIS UNDER THE COMPANIES ACT 2013

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I. ABSTRACT

The role of corporate governance in ensuring transparency, accountability and responsible management of corporations is an extremely important one. Corporate Governance consists of the whole system of rules, practices and processes by which a company is directed and controlled. The idea behind effective corporate governance is to protect the interests of shareholders and all stakeholders, as well as to encourage ethical behavior in the business community. In India, corporate governance has evolved with the enactment of the Companies Act 2013, which contains numerous provisions for improving corporate accountability and transparency in corporate operations, and therefore enhancing the overall governance framework in the country. The enactment of the Act includes several major governance mechanisms, such as the appointment of independent directors, the establishment of board committees and improved requirements for disclosure of information. These governance mechanisms have been incorporated into the Act to improve decision making within corporations and to provide companies with a structure to carry out their businesses in a transparent and responsible manner. However, despite having established several of these important legal governance mechanisms, the ongoing issues with respect to corporate mismanagement, a lack of transparency, and weak enforcement mechanisms are calling into question the adequacy of the existing governance practices for corporations in India. The objective of this research is to investigate the impact of corporate governance on corporate accountability, specifically under the context of the Companies Act 2013. This paper provides a critical analysis of the different governance mechanisms prescribed in the Act and assesses their ability to promote responsible behavior by corporations through effective means of enforcement.

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Additionally, this study discusses the challenges associated with implementing corporate governance principles and stresses the need for regulatory enforcement, improved compliance initiatives, and increased regulation to enhance accountability in Indian businesses.

II. KEYWORDS

Corporate Governance, Corporate Accountability, Companies Act 2013, Board of Directors, Corporate Transparency.

III. INTRODUCTION

Modern corporate regulation relies heavily on corporate governance. It develops and improves the way a company is managed. Corporate governance can be seen as a framework of rules, laws and processes that determine how a company is managed. When there is strong corporate governance, a company has a better chance of protecting the shareholders' interests and provides investors with confidence because they are doing business with a company that is well managed. Corporate governance also helps to promote the long-term development of a company's business. A company with a strong corporate governance structure generally makes better business decisions because its leaders comply with ethical and legal standards when making those decisions.

The importance of corporate governance in India has gained significant attention since various corporate scandals and financial misconduct have revealed serious flaws in the management of corporations and supervisory oversight by regulatory authorities. The introduction of major reforms to corporate governance by the Indian Government through the Companies Act 2013 is a result of challenges posed by corporate governance failures. Major provisions were included within this legislation as part of an effort to empower corporate accountability and establish an improved standard of corporate governance in Indian corporations. Important mechanisms adopted by the Act include independent board directors; board committees; enhanced disclosure requirements; and corporate social responsibility.

These measures were intended to enhance transparency in business practice and foster responsible corporate behavior. Regulatory bodies such as the Securities and Exchange Board of India (SEBI) impose governance standards on listed companies pursuant to their statutory authority. Under Section 11 of the Securities and Exchange Board of India Act, 1992, SEBI is empowered to protect the interests of investors and regulate the securities market, and listed companies are legally required to comply with the governance and disclosure standards prescribed by the regulator.² Despite numerous reforms, challenges such as weak enforcement mechanisms; insufficient board independence; and poor compliance continue to create barriers to effective Corporate Governance in India. Accordingly, there is a need to critically evaluate the existing legal framework surrounding Corporate Governance as well as its role in maintaining Corporate Accountability.

A. Research Problem

There are many elements of the corporate governance system that are recognized as a way to promote transparency and accountability in the management of corporations. The implementation of the Companies Act 2013 was anticipated to help establish corporate governance better in India by establishing stronger federal regulations and better corporate governance practices. However, even with all of the legal requirements in place, many businesses continue to commit corporate fraud, mismanage their companies and fail to provide good governance. This raises the question of whether the existing corporate governance framework is effective in promoting corporate accountability.

The enforcement mechanisms by which corporate governance is expected to operate do not function optimally, as they are often weak or non-existent, and independent directors and board committees may not even be independent or provide adequate oversight due to a lack of enforcement regulation and independence. If these governance mechanisms are not functioning as they were intended to or not achieving their intended goals, then

² Securities and Exchange Board of India Act 1992, s 11.

they may not be able to provide the necessary accountability in the governing of corporations.

As such, the research question being addressed in this study is: Does the current legal framework governing corporate governance in India adequately regulate corporate accountability, or do we need to reform it further and impose further regulatory enforcement mechanisms in order to enhance the effectiveness of corporate governance?

B. Research Objectives

The main objective of this research is:

1. To study the concept and importance of corporate governance, as well as its function in providing transparency and accountability within a business organization
2. To analyze the Company Act 2013 legal requirements/conduct pertaining to corporate governance.
3. To explore how regulatory bodies (particularly SEBI) regulate and assist in enforcing compliance with corporate governance standards throughout India
4. To identify the key obstacles to establishing corporate governance procedures or principles in Indian firms.
5. The last objective is to offer recommendations for improving corporate governance and increasing corporate accountability within India.

C. Research Question

1. What is the nature and role of corporate governance in promoting transparency and accountability in the operation of corporations?
2. What role do the provisions of the Companies Act, 2013 play in regulating and promoting corporate governance among Indian corporations?
3. What functions does the Securities and Exchange Board of India (SEBI) perform in enforcing corporate governance regulations and protecting the interests of investors?

4. What are the major barriers to the effective implementation of corporate governance laws in India?
5. Finally, the research will identify specific changes to the law or policy that could improve corporate governance and corporate accountability in India's business sector.

D. Research Hypothesis

The present study is based on the hypothesis that effective corporate governance mechanisms play a significant role in promoting transparency, accountability, and responsible management in companies. It is assumed that strong governance provisions under the Companies Act 2013 contribute to improving corporate accountability in India. However, the study also considers the possibility that weak implementation and lack of effective enforcement of corporate governance provisions may reduce their effectiveness in ensuring proper corporate management and accountability.

E. Research Methodology

The methodology adopted in this research is primarily doctrinal in nature, focusing on the analysis of the regulatory framework governing corporate governance and corporate accountability in India with specific reference to the provisions of the Companies Act, 2013. The study relies predominantly on secondary sources of data, including books, peer-reviewed journal articles, legal commentaries, and online legal databases such as SCC Online, Manupatra, and government publications. In addition, the research examines relevant statutory provisions, judicial decisions, and policy reports relating to corporate governance.

Particular reference has been made to significant committee reports that influenced corporate governance reforms in India, including the Kumar Mangalam Birla Committee Report on Corporate Governance (1999) and the J.J. Irani Committee Report (2005), both of which contributed to shaping the legislative framework that culminated in the Companies Act, 2013. The study also reviews the role of regulatory authorities such as the Securities and Exchange Board of India (SEBI) in developing and enforcing

governance standards for listed companies. The collected material has been analysed through qualitative and analytical methods in order to evaluate the effectiveness of corporate governance mechanisms in promoting corporate accountability in India.

F. Literature Review

Corporate governance is a topic that has been studied extensively by researchers, officials, and lawyers, as it plays a major part in helping the accountability, transparency, and management of companies around the world. Many researchers have focused on how different legal frameworks, governance systems, and regulatory systems affect the way that companies carry out corporate governance in a variety of jurisdictions around the globe. Corporate governance is defined by N. Balasubramanian as a framework for directing and controlling corporate entities, with the intention of ensuring that management operates in the best interests of shareholders and other stakeholders.³

He states that through the application of strong governance, companies can create an environment where they are able to provide higher returns to their shareholders and thus enhance businesses by creating new capital and returning it back to the respective shareholders as dividends. In order for a company to be successful, Balasubramanian states, companies must implement certain governance mechanisms. Independent board members, audit committees and disclosure requirements are all examples of corporate governance mechanisms that contribute significantly to ensuring that there is transparency in the activities of the company.

The Cadbury Report emphasised that corporate governance involves balancing the economic and social objectives of the corporation while ensuring responsible corporate conduct and accountability of management.⁴ In the report, he stressed that the core elements of corporate governance included board accountability, financial transparency and the effective monitoring of management to reduce incidences of corporate

³ N Balasubramanian, *Corporate Governance and Stewardship: Emerging Role and Responsibilities of Corporate Boards* (Tata McGraw-Hill 2010).

⁴ Committee on the Financial Aspects of Corporate Governance, *Report of the Committee on the Financial Aspects of Corporate Governance* (Gee Publishing 1992) ('Cadbury Report').

misconduct⁵. The Cadbury Report is regarded as one of the cornerstone documents of modern corporate governance principles. In the Indian context, Umakanth Varottil has extensively analysed corporate governance reforms and their influence on the evolution of corporate regulation in India.⁶ Varottil maintains that the regulatory reforms in India, particularly those established through the Companies Act 2013, have greatly improved the corporate governance mechanisms by establishing more stringent disclosure requirements, enhanced director responsibilities and increased the independence of the board.⁷ Varottil believes that these reforms were implemented with the purpose of correcting many of the governance failures that became evident during the major corporate scandals and to Corporate scandals have been extensively analysed by researchers as examples of poor corporate governance.

The Satyam Computer Services scandal is perhaps the best-known example of corporate governance failure in India. Researchers such as Madan Lal Bhasin have analysed the Satyam Computer Services scandal and identified factors such as inadequate board oversight, lack of transparency in financial reporting, and weak internal control systems as key contributors to governance failure.⁸ These findings highlight the importance of increasing corporate governance mechanisms and regulatory supervision. In addition, legal academics have emphasized the importance of judicial rulings in establishing principles of corporate governance. For example, in *Salomon v A Salomon & Co Ltd*⁹, the court established the concept of separate legal personality.

This principle serves as the basis for most of today's corporate laws and governance theories. Likewise, the principle established in *Foss v Harbottle*¹⁰ provides that the company itself is the proper plaintiff for wrongs committed against it (the 'proper

⁵ Adrian Cadbury, Cadbury Report.

⁶ Umakanth Varottil, 'The Evolution of Corporate Law in Post-Colonial India: From Transplant to Autochthony' (2016) 31 *American University International Law Review* 253.

⁷ Umakanth Varottil, *Corporate Governance in India: Law and Practice*.

⁸ Madan Lal Bhasin, 'Corporate Governance and Forensic Accountant: An Exploratory Study' (2013) 3(3) *Journal of Accounting, Business & Management* 49.

⁹ [1897] AC 22 (HL).

¹⁰ (1843) 2 Hare 461; 67 ER 189 (Ch).

plaintiff rule'), and courts will generally not interfere in the internal management of a company at the instance of individual shareholders. These legal principles continue to define the rights and obligations of corporations and shareholders as they affect how corporations are governed. The existing body of work shows that corporate governance involves multiple dimensions including law, ethics, finance and regulation. Most researchers believe that the presence of sound governance mechanisms is crucial in inhibiting corporate misconduct, protecting the rights and interests of all shareholders, and ensuring sustainable growth for companies. Research also indicates that there continue to be significant challenges in effective enforcement and implementation of governance standards, particularly in the developing world. As a result, further research and improvements in regulation are clearly needed to enhance both the practice and the accountability of corporate governance.

IV. RESEARCH AND ANALYSIS

A. Concept Of Corporate Governance

Corporate governance is the structure by which companies are governed, overseen and run. It encompasses the way the board of directors, management, shareholders and other stakeholders relate to one another. Overall, the goal of corporate governance is to support transparency, responsibility, and an equitable approach to making corporate decisions. Good governance helps to protect the interests of investors through better corporate performance and the prevention of fraud or abuse within the organization.¹The need for effective corporate governance has become increasingly evident as a result of a number of corporate scandals, which have exposed severe lapses in the way companies manage themselves and the regulatory systems enacted to oversee companies, following these incidents.

Strong governance structures allow companies to operate in an ethical manner and ensure that the board of directors and the management team act in the best interest of the company at all times. The concept of corporate governance is very closely linked to the principle of "separate legal personality" established by the court in *Salomon v Salomon*

& Co Ltd, whereby it has been confirmed that a company is legally distinct and separate from its owners or shareholders. Corporate governance in India is mostly governed by the provisions of the Companies Act, 2013. The Act introduced many reforms related to enhancing corporate accountability. The Companies Act, 2013 sets out extensive provisions for directors' duties, appointment of independent directors, formation of audit committees and enhanced disclosure obligations which is intended to provide greater transparency to corporations and protect the interests of investors and stakeholders. To further promote corporate governance, regulatory authorities such as the Securities and Exchange Board of India (SEBI) oversee and regulate the corporate governance standards applicable to listed companies, including the establishment and enforcement of disclosure and compliance requirements.

By enforcing a series of regulations, SEBI ensures that companies operate ethically and transparently in regard to financial reporting. Overall, corporate governance is vital to the successful operation of modern corporations; it provides a necessary framework for meeting legal obligations and fosters ethical behaviour, responsible leadership and accountable long-term viability of corporations. Strong corporate governance frameworks support economic growth through building investor confidence, enhancing corporate performance and reducing the incidence of financial scandals.

B. Legal Framework of Corporate Governance in India

In India, the legal structure for corporate governance has developed substantially over time to facilitate better transparency, accountability, and responsible corporate governance. In India, corporate governance regulations are based on statutory law, regulatory bodies, and other committees that have been set up to improve corporate accountability and protect investors' interests. The Company's Act of 2013 is the primary piece of corporate governance legislation in India. This is the first major reform of corporate governance laws in India, and it was designed to strengthen and enhance the accountability of corporate governance practices and corporate management¹¹. The 2013

¹¹ Companies Act 2013.

Companies Act has specific sections and various provisions that cover corporate governance.

This will include detailed provisions addressing the duties of directors, the number of people who are members of the Board, and how to create Independent Directors in different types of companies. Section 166 of the 2013 Companies Act states what the fiduciary duties of Directors are. For example, Directors must act in good faith, exercise due diligence, and at all times work to achieve and carry out the purposes and objectives of their company and are also required to do all this in a manner that promotes and benefits the shareholders and all other stakeholders of the company¹². Part of the purpose of these provisions is to stop Directors from abusing their authority as Directors for their own gain and to ensure that Directors make transparent and responsible manner.

The other key feature of corporate governance provided for in the Act is the creation of board committees such as Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, which oversee areas including financial reporting, internal controls and executive compensation within the organisation. In particular, the Audit Committee has an essential role in maintaining the integrity of financial information, reviewing the organisation's financial statements, managing the internal audit function, and ensuring compliance with applicable accounting standards¹³. Corporate Social Responsibility (CSR) under Section 135 of the Companies Act, 2013 constitutes an important component of the corporate governance framework in India.

The provision applies to every company having a net worth of ₹500 crore or more, or a turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more during the immediately preceding financial year. Such companies are required to spend at least 2% of the average net profits of the preceding three financial years on CSR activities, including areas such as education, healthcare, environmental sustainability and social welfare. The CSR requirement makes clear that Corporations have an obligation to the

¹² Section 166, Companies Act 2013 (Duties of Directors).

¹³ Section 177, Companies Act 2013 (Audit Committee)

entire Society, not just Shareholders¹⁴. In addition to the statutory requirements for Corporate Governance, listed companies in India are subject to regulation by the Securities and Exchange Board of India (SEBI). SEBI is responsible for overseeing listed companies and ensuring their compliance with various disclosure and governance obligations. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 impose high levels of governance on publicly traded companies, requiring the establishment of independent boards, the issuance of periodic financial statements to Shareholders, and the establishment of adequate processes for the transparency of corporate operations to the market (the public)¹⁵.

C. Role Of Board of Directors

A board of directors is critical to the governance structure of the corporation. In addition, a board of directors manages a corporation by directing and supervising corporate management and ensuring compliance with all applicable laws and ethical standards. The board plays a crucial role in linking the owners (shareholders) to those responsible for daily operations (management). In this context, boards perform oversight functions to ensure that management decisions align with the long-term vision of the company while protecting the rights of both shareholders and other stakeholders. The responsibilities and duties of a board of directors in India are governed primarily through the provisions of the Companies Act, 2013. The Act imposes numerous legal obligations on directors to ensure sound corporate governance.

According to Section 166 of the Companies Act 2013, directors are required to act in good faith and exercise due and reasonable care, skill and diligence while performing their duties. Section 166(2) further mandates that directors must act in the best interests of the company, its employees, the shareholders, the community, and for the protection of the environment, thereby reflecting a broader stakeholder-oriented approach to corporate

¹⁴ Section 135, Companies Act 2013 (Corporate Social Responsibility).

governance.¹⁶ Directors are also required to avoid any conflicts of interest and not to take any undue personal advantage from their directorship. The board of directors is responsible for corporate policies, selecting strategic initiatives and monitoring the performance of management. One of their major responsibilities is implementing a system of internal controls and risk management. Implementing these types of systems can help prevent man-made financial irregularities as well as assist the company in identifying and managing any risks to the company's operations and/or financial viability.

Currently, one important element of corporate governance includes the necessity of independent board members acting as assessors of performance, impartial parties offering their viewpoints with regard to matters before the board, and those who assist in overseeing the management of the corporation through independent direction. They will also provide more transparency and hold management accountable to shareholders. Section 149 of the Companies Act, 2013 requires listed companies to appoint independent directors on their boards, with at least one-third of the total board composition consisting of independent directors. Independent directors play an essential role in ensuring objective decision-making, strengthening board oversight, and safeguarding the interests of minority shareholders.¹⁷

D. Role Of Regulatory Authorities in Corporate Governance

Corporate Governance Principles can be effectively implemented by many Regulatory Authorities that oversee the corporate sector and provide the rules necessary for all businesses to follow in order to comply with the law, promote transparency, promote accountability and encourage ethical business practices. In India, there is a variety of regulators in place that supervise statutory law to ensure that all companies act within the sector's guidelines for Corporate Governance and thereby protect the rights of others and all investors.

¹⁶ Section 166, Companies Act 2013 (Duties of Directors).

¹⁷ Section 149, Companies Act 2013 (Independent Directors).

The Securities and Exchange Board of India, one of the primary regulatory agencies responsible for overseeing corporate governance in India, was established to regulate the securities market in India, protect the rights of investors, and encourage the establishment of fair and transparent financial markets in India. SEBI supports Corporate Governance through the imposition of disclosure laws, the monitoring of financial reporting, and the compliance of listed companies with Corporate Governance standards¹⁸.

One of the major regulatory frameworks instituted by the Securities and Exchange Board of India (SEBI) is the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. These regulations require all listed companies to provide transparent disclosures in their financial reports and include an independent board member as well as an audit committee. Reporting companies must also provide disclosures to shareholders on material events. Through these measures, SEBI aims to provide investors with sufficient access to timely and accurate information regarding a company's financial condition and operations to enhance corporate governance¹⁹. Another key regulatory authority is the Ministry of Corporate Affairs (MCA), which administers and enforces the provisions of the Companies Act, 2013.

The MCA supervises corporate regulation in India, issues statutory notifications, rules, and amendments under the Act, and plays a central role in the functioning of adjudicatory institutions such as the National Company Law Tribunal (NCLT) and the National Company Law Appellate Tribunal (NCLAT). Through these regulatory and institutional mechanisms, the MCA contributes to the effective enforcement of corporate governance standards. It has broad powers in regulating corporate affairs; it registers companies, enforces compliance with the statutory duties placed upon companies and their directors and introduces policy reforms and regulations that enhance corporate

¹⁸ Securities and Exchange Board of India Act, 1992.

¹⁹ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

governance within India²⁰. In general, regulatory bodies assist businesses by developing regulation programs (or by developing regulations).

Regulatory authorities develop regulatory systems that create a way of operating businesses that will ensure compliance with laws and regulations. Regulatory authorities provide a means for businesses to operate inside their country with satisfaction regarding compliance with laws and regulations. In most cases, laws are established to protect investors; therefore, regulatory bodies must continuously monitor their members for compliance with laws and regulations and provide corrective action to businesses if necessary.

The purpose of continuous regulation is to make sure that businesses use sound business practices; therefore, regulate bodies' continuous regulation of their members is necessary for long-term economic development.

E. Challenges in Implementing Corporate Governance

While there is a strong legal & regulatory framework for corporate governance, many companies still experience many challenges regarding the successful implementation of governance practices. Corporate governance systems are designed to promote transparency, accountability, & ethical management in corporations. Unfortunately, many corporations still face many challenges in fully implementing corporate governance principles due to executive, managerial, & statutory limitations. A significant challenge to corporations regarding the implementation of corporate governance is the lack of enforcement of corporate governance statutes.

The Companies Act, 2013 has many rules regarding the responsibilities of directors, financial disclosures, & corporate accountability; however, compliance with these statutes is often very formalistic & therefore do not represent true implementations of the corporate governance requirements outlined in this Act. Further, companies often comply with the corporate governance standards established by the Companies Act

²⁰ Ministry of Corporate Affairs, Government of India.

simply to fulfil their legal obligations, rather than to promote the objectives of transparency & accountability in their management practices.

A major obstacle relates to the lack of independence amongst independent directors. Independent directors should provide independent advice on issues and provide an independent means of overseeing management's actions; however, this independence can sometimes be impaired by personal or professional relationships or connections between independent directors and the company's management. When this occurs, the ability of the independent directors to effectively oversee the management of the company and the relevant corporate governance structure is diminished. Limited corporate reporting transparency also represents an obstacle to effective governance.

It is critical that investors have the ability to obtain timely and accurate information regarding a company's financial and operating results; however, companies that do not have adequate disclosure procedures in place, do not properly supervise the financial reporting process or fail to implement adequate internal control systems may engage in financial misrepresentation and demonstrate a lack of accountability for their actions²¹. Weak internal controls and risk management systems are also a major contributing factor to failures of governance. Successful implementation of proper internal control measures is critical to helping companies monitor their financial performance, prevent fraud, and comply with legal obligations as part of their corporate governance structure.

When companies have weak internal audit and risk assessment systems in place, they run the risk of being exposed to financial loss or operational inefficiency due to poor financial management practices.⁵ Another challenge to implementing corporate governance is the lack of shareholder involvement in company decision-making. Shareholders are important for creating accountability to the corporation by using their voting rights to hold management accountable for their actions. However, in many

²¹ Shyam Sunder, *Corporate Governance and Financial Reporting*.

instances, shareholders do not participate in corporate governance activities, thus limiting the effectiveness of accountability processes that exist within companies²².

Another challenge in the implementation of corporate governance relates to the ineffective functioning of whistleblower protection mechanisms. Section 177(9) of the Companies Act, 2013 requires certain companies, including listed companies and companies accepting deposits from the public, to establish a vigil mechanism for directors and employees to report genuine concerns regarding unethical behaviour, fraud, or violations of company policies. However, in practice, many organisations fail to implement these mechanisms effectively, which discourages whistleblowing and weakens internal accountability systems.

F. Need For Strengthening Corporate Governance

Strengthening corporate governance is becoming increasingly important as a means to improve transparency, accountability and the responsible management of corporate organisations. The implementation of effective governance mechanisms enables companies to maintain ethical business practices while safeguarding the interests of shareholders, investors, and other stakeholders. The introduction of the Companies Act 2013 has also significantly strengthened the legal framework governing the area of corporate governance in India by introducing stricter requirements for directors with respect to their duties, financial disclosure and board accountability.

These provisions of the Companies Act 2013 are designed to ensure that companies operate transparently and that decisions made by them are always in the best interests of their stakeholders. Therefore, strengthening governance mechanisms are critical in preventing financial mismanagement, enhancing investor trust and encouraging responsible corporate conduct. Healthy long-term outcomes for firms and their subsystems, including the corporate sector, can result from good governance. As a result, regulatory bodies (for example, India's Securities and Exchange Board) have developed

²² OECD, *Principles of Corporate Governance*.

regulations across the entire spectrum of publicly traded companies to maintain and enhance the level of corporate governance in that segment of the market and to create greater transparency in corporate financial reporting.

Corporate governance frameworks support strong board oversight, effective internal control systems, and transparent disclosure practices, all of which reduce the potential for corporate misconduct while enhancing the level of confidence in the corporate sector. To increase corporate accountability and promote the sustainable growth of businesses, there must be on-going reform and improved enforcement of compliance with laws and regulations governing businesses.

V. FINDINGS

The research analysis produced the following key findings:

- 1. Corporate governance plays a fundamental role in promoting transparency and accountability in corporate management:** The study finds that well-structured governance mechanisms enhance corporate decision-making, strengthen investor confidence, and reduce the risk of financial misconduct within corporate organisations.
- 2. The Companies Act, 2013 establishes a comprehensive legal framework for corporate governance in India:** The Act introduces important governance mechanisms such as directors' fiduciary duties, independent directors, board committees, and disclosure requirements, all of which contribute to strengthening corporate accountability.
- 3. Regulatory institutions play a crucial role in enforcing governance standards:** Bodies such as the Securities and Exchange Board of India (SEBI), the Ministry of Corporate Affairs (MCA), and adjudicatory institutions like the National Company Law Tribunal (NCLT) provide oversight and enforcement mechanisms necessary for ensuring compliance with corporate governance regulations.
- 4. Despite the presence of a strong legal framework, effective implementation of corporate governance remains a significant challenge:** The research indicates that

weak enforcement mechanisms, insufficient board independence, inadequate internal control systems, and limited shareholder participation continue to hinder the practical effectiveness of governance provisions.

- 5. Strengthening enforcement and compliance mechanisms is essential for improving corporate accountability in India:** The findings suggest that enhanced regulatory supervision, improved transparency in financial reporting, and stronger ethical corporate culture are necessary to ensure that corporate governance principles are effectively implemented.

VI. SUGGESTIONS AND RECOMMENDATIONS

- 1. Strengthening Compliance with Corporate Governance Regulations:** To ensure transparency and accountability in corporate governance, companies must strictly comply with the provisions of the Companies Act 2013 and related regulatory frameworks. Enforcement mechanisms under Section 447 (punishment for fraud), Section 448 (punishment for false statements), and Section 449 (punishment for false evidence) should be applied rigorously to deter corporate misconduct. Strengthening compliance systems and internal monitoring mechanisms will ensure that companies adhere not only to statutory obligations but also to the broader objectives of corporate governance.
- 2. Enhancing the Role and Independence of the Board of Directors:** An independent director who serves on the board of directors and directors should only be chosen as per their skills, experience and integrity to give their opinions in an objective manner regarding management decisions made about an individual company. An independent director would provide good corporate accountability through improved governance practices by having a more accountable/active board.
- 3. Improving Transparency and Disclosure Practices:** Corporations need to enhance the level of transparency they practice through their financial reporting and corporate decision making. Timely and accurate financial information

reported by companies will enable all investors and stakeholders to make knowledgeable decisions regarding investment opportunities. Companies that have established transparent corporate practices will foster greater levels of trust with investors.

4. **Strengthening Internal Control and Risk Management Systems:** Organizations should develop strong internal control mechanisms and effective risk management frameworks. Internal audits, compliance monitoring, and proper financial supervision can help detect irregularities and prevent corporate mismanagement. Strong internal controls also contribute to efficient corporate functioning.
5. **Promoting Ethical Corporate Culture:** Corporate governance can be strengthened by encouraging ethical values and responsible behaviors within organizations. Companies should promote integrity, accountability, and professionalism among employees and management. Ethical leadership helps create a corporate culture that supports transparency and responsible decision-making.
6. **Corporate Governance Training and Awareness Programs:** Regularly scheduled training sessions will improve the understanding of corporate governance principles among all directors, managers, and employees. Awareness programs help individuals learn about their roles and responsibilities in maintaining organization governance standards.
7. **Strengthening Regulatory Oversight:** Regulatory oversight should be strengthened through more robust enforcement of governance requirements under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations). SEBI should exercise enhanced supervisory powers to ensure strict compliance with disclosure obligations, board independence requirements, and governance standards applicable to listed companies. Additionally, regulatory reforms should strengthen whistleblower protection

mechanisms to encourage the reporting of corporate misconduct and improve internal accountability within corporate organisations.

8. Strengthening Judicial Oversight in Corporate Governance Enforcement:

Judicial and quasi-judicial bodies such as the National Company Law Tribunal (NCLT) should play a more proactive role in enforcing corporate governance standards. The NCLT, established under Section 408 of the Companies Act, 2013, adjudicates disputes related to oppression and mismanagement, corporate restructuring, and class-action suits by shareholders. Strengthening the efficiency and accessibility of NCLT proceedings would enable minority shareholders and stakeholders to seek remedies more effectively, thereby reinforcing corporate accountability.

VII. CONCLUSION

Corporate governance plays a crucial role in ensuring transparency, accountability, and responsible management within corporate organisations. A well-structured governance framework contributes to improved decision-making, greater investor confidence, and the long-term sustainability of corporate enterprises.

The analysis undertaken in this study indicates that the Companies Act, 2013 provides a comprehensive legal framework for corporate governance in India, incorporating provisions relating to directors' duties, independent directors, board committees, disclosure requirements, and regulatory oversight. Institutions such as the Securities and Exchange Board of India (SEBI), the Ministry of Corporate Affairs (MCA), and adjudicatory bodies like the National Company Law Tribunal (NCLT) further strengthen this framework through regulatory supervision and enforcement.

However, the research also demonstrates that the effectiveness of the existing framework is often limited by challenges in implementation, including weak enforcement mechanisms, insufficient board independence, lack of transparency in certain corporate practices, and inadequate internal control systems. These limitations suggest that while

the statutory framework itself is robust, its practical impact depends significantly on effective regulatory enforcement and corporate compliance.

Therefore, in response to the central research question, it can be concluded that the legal framework governing corporate governance under the Companies Act, 2013 is largely adequate in structure but requires stronger enforcement, improved regulatory oversight, and greater corporate accountability to achieve its intended objectives. Strengthening compliance mechanisms, promoting ethical corporate culture, and enhancing the role of regulatory authorities will be essential for ensuring that corporate governance standards are effectively implemented and that public trust in the corporate sector is maintained.

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