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**STRENGTHENING CORPORATE GOVERNANCE IN INDIA:
A CRITICAL ANALYSIS OF THE ROLE OF DIRECTORS
UNDER THE LEGAL AND REGULATORY FRAMEWORK**

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Abstract

Corporate governance has emerged as a fundamental mechanism for ensuring transparency, accountability and ethical conduct in the corporate sector. In India, directors occupy a significant position in the governance framework, serving as custodians of shareholder interests while simultaneously balancing the expectations of various stakeholders. The effectiveness of corporate governance largely depends upon the diligence, independence and integrity with which directors discharge their responsibilities. This article critically examines the role of directors in strengthening corporate governance in India by analysing the existing legal and regulatory framework governing their functions and duties. The study explores the provisions of the Companies Act, 2013, particularly those relating to the composition of the board, directors' duties and independent directors, alongside the regulatory requirements prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. It further analyse the significance of board committees and the accountability mechanisms designed to enhance oversight and prevent governance failures. Through an examination of selected corporate scandals and contemporary governance challenges, the article identifies gaps in the implementation of governance norms despite the existence of comprehensive regulations. The study concludes that while India possesses a robust legal framework for corporate governance, effective enforcement, greater board independence, continuous director education and a stronger leadership are essential for directors to meaningfully contribute to sustainable and responsible corporate governance.

Keywords: Corporate Governance, Directors, Companies Act, 2013, SEBI, Transparency.

1. Introduction

Corporate governance has gained significant prominence in the contemporary corporate system as an essential mechanism for ensuring accountability, transparency, fairness and ethical conduct in business operations. The growing complexity of corporate structures with the increasing separation between ownership and management, has necessitated the improvement of strong governance frameworks aimed at protecting the interests of shareholders and other stakeholders. Effective corporate governance not only enhances investor confidence but also contributes to sustainable economic growth and the overall stability of financial markets¹.

In the Indian context, the importance of corporate governance has been underscored by various instances of corporate misconduct and financial irregularities that exposed deficiencies in board oversight and regulatory compliance. Specifically corporate scandals, such as the Satyam Computer Services fraud and the Infrastructure Leasing and Financial Services (IL&FS) crisis, highlighted the pivotal role of directors in preventing governance failures and ensuring that companies operate in accordance with legal and ethical standards. These incidents prompted significant reforms in the corporate regulatory framework, resulting in strengthened provisions relating to directors' duties, board composition, disclosure requirements and accountability mechanisms². Directors occupy a prominent position within the governance structure of a company. As members of the board, they are entrusted with the responsibility of formulating corporate strategies, supervising managerial functions, ensuring compliance with applicable laws, managing risks, and safeguarding the interests of stakeholders. Their fiduciary obligations require them to act in good faith, exercise due care and diligence, avoid conflicts of interest and promote the long-term success of the company. Consequently, the effectiveness of corporate governance is largely dependent upon the competence, independence and integrity with which directors discharge their responsibilities³.

The legal and regulatory framework governing directors in India has evolved considerably over the years. The Companies Act, 2013 introduced comprehensive provisions relating to the

¹ (PDF) Corporate Governance as a Global Phenomenon: Evolution, Theoretical Foundations, and Practical Implications,

https://www.researchgate.net/publication/381739967_Corporate_Governance_as_a_Global_Phenomenon_Evolution_Theoretical_Foundations_and_Practical_Implications (last visited June 11, 2026).

² Corporate Governance in India: Issues and Reforms, <https://taxguru.in/corporate-law/corporate-governance-india-issues-reforms.html> (last visited June 11, 2026).

³ Vanshika Kapoor, Board of Directors: Composition, Structure, Duties and Powers, IPLEADERS (Apr. 14, 2024), <https://blog.ipleaders.in/board-of-directors-composition-structure-duties-and-powers/>.

appointment, duties and liabilities of directors, while the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 established enhanced governance standards for listed entities. Also, Secretarial Standards and internationally recognised governance principles have contributed to shaping the contours of directors' responsibilities within the Indian corporate regime⁴. This research seeks to critically analyse the role of directors in strengthening corporate governance in India by examining the existing legal and regulatory framework. The article evaluates the extent to which directors contribute to effective governance practices, identifies practical challenges affecting their performance, and proposes measures aimed at enhancing board effectiveness and corporate accountability. Through this analysis, the study emphasises that while legislative and regulatory reforms have significantly improved governance standards, the realisation of good corporate governance ultimately depends upon the commitment of directors to ethical leadership, responsible decision-making, and the promotion of stakeholder trust.

2. Conceptual Framework of Corporate Governance

The concept of corporate governance has evolved considerably over the years, emerging as a crucial element in ensuring responsible corporate conduct and sustainable business practices. Corporate governance refers to the system of rules, principles, processes, and relationships through which companies are directed and controlled. It establishes a framework that defines the rights and responsibilities of various participants within a corporation, including the board of directors, management, shareholders, employees, creditors, and other stakeholders⁵. The Organisation for Economic Co-operation and Development (OECD) defines corporate governance as a set of relationships between a company's management, its board, shareholders and other stakeholders, providing the structure through which the objectives of the company are established and the means of attaining those objectives are monitored. Similarly, the Kumar Mangalam Birla Committee Report on Corporate Governance emphasised the importance of enhancing shareholder value while recognising the interests of other stakeholders and ensuring transparency in corporate affairs⁶.

The significance of corporate governance lies in its ability to promote accountability, improve

⁴ Parvejur Rahman & Sagufta Mehnaz, International Journal for Multidisciplinary Research (IJFMR), SSRN JOURNAL (2024), <https://www.ssrn.com/abstract=5054029>.

⁵ Vedant Pandya, HISTORY, EVOLUTION, AND DEVELOPMENT OF CORPORATE GOVERNANCE: A COMPREHENSIVE RESEARCH REVIEW, 11 234 (2025).

⁶ Nischal Risal, A Glance to Corporate Governance: Concept and Practices, 15 145 (2019).

decision-making processes, strengthen investor confidence, and minimise the risk of corporate fraud and mismanagement. Effective governance mechanisms contribute to organisational efficiency by ensuring that managerial powers are exercised responsibly and in the best interests of the company. In an increasingly globalised economy, adherence to sound governance practices has also become an important determinant of a company's reputation and competitiveness⁷.

Corporate governance is founded upon certain universally recognised principles. The principle of transparency requires companies to disclose accurate and timely information relating to their financial position, performance, ownership and governance structures. Accountability mandates that directors and management remain answerable for their decisions and actions to shareholders and other stakeholders. The principle of fairness ensures equitable treatment of all shareholders, including minority investors and protects them against oppressive conduct. Responsibility emphasises compliance with legal obligations and ethical standards in the conduct of corporate affairs. Furthermore, stakeholder orientation recognises that companies have obligations extending beyond shareholders to employees, creditors, consumers and society at large⁸.

Several theoretical perspectives provide an intellectual foundation for understanding corporate governance. Agency Theory posits that conflicts arise due to the separation of ownership and control, wherein managers may prioritise personal interests over those of shareholders. Corporate governance mechanisms, particularly board oversight, seek to reduce such agency costs and align managerial actions with shareholder interests. In contrast, Stakeholder Theory advocates a broader approach by emphasising that corporations should balance the interests of all stakeholders affected by their operations. Stewardship Theory, on the other hand, assumes that managers and directors are trustworthy stewards who are intrinsically motivated to act in the best interests of the company and its stakeholders⁹. Directors function as intermediaries between ownership and management, ensuring that corporate objectives are pursued in a manner consistent with legal requirements and stakeholder expectations. Consequently,

⁷ Anubhav Sony & Praveen Choudhary, Study on Corporate Governance and Its Importance in Business, 7 ECOSOCIAL STUDIES: BANKING, FINANCE AND CYBERSECURITY 57 (2025).

⁸ (PDF) Corporate Governance and Legal Compliance, RESEARCHGATE (2026), https://www.researchgate.net/publication/399195481_Corporate_Governance_and_Legal_Compliance.

⁹ (PDF) Theoretical Perspectives of Corporate Governance, RESEARCHGATE, <https://www.researchgate.net/publication/375132517> (last visited June 11, 2026).

understanding the conceptual foundations of corporate governance is essential for evaluating the effectiveness of directors in strengthening governance standards within the corporate sector in India¹⁰.

3. Board of Directors and Corporate Governance

The board of directors constitutes the apex decision-making body within a company and serves as the cornerstone of effective corporate governance. Entrusted with the responsibility of directing and supervising the affairs of the company, the board acts as a bridge between shareholders and management. The quality of corporate governance in an organisation largely depends upon the effectiveness, competence, and independence of its board of directors¹¹. The board performs both strategic and supervisory functions. From a strategic perspective, directors are responsible for determining the company's vision, approving long-term business objectives, formulating policies and ensuring that the organisation remains competitive and sustainable. Simultaneously, the board exercises oversight over managerial actions by monitoring executive performance, reviewing financial reporting processes, ensuring legal compliance and addressing potential risks that may affect the company's operations and reputation¹².

One of the primary governance functions of the board is the protection of shareholders' interests. Directors are expected to exercise their powers in good faith and in a manner that promotes the success of the company for the benefit of its members as a whole. In addition, contemporary corporate governance frameworks recognise that directors also owe broader responsibilities towards other stakeholders, including employees, creditors, consumers and the community. Consequently, the board is increasingly expected to incorporate environmental, social, and governance (ESG) considerations into its decision-making processes¹³.

The Companies Act, 2013 emphasises different categories of directors to facilitate balanced

¹⁰ Mallikarjun Chanmal, A Conceptual Framework on Corporate Governance in Organizations.

¹¹ (PDF) A Study of the Role of the Board of Directors in Corporate Governance Based on UK Listed Companies, RESEARCHGATE (2026), https://www.researchgate.net/publication/366620110_A_Study_of_the_Role_of_the_Board_of_Directors_in_Corporate_Governance_Based_on_UK_Listed_Companies.

¹² (PDF) The Role of the Board in Firm Strategy: Integrating Agency and Organisational Control Perspectives, RESEARCHGATE, https://www.researchgate.net/publication/4753977_The_Role_of_the_Board_in_Firm_Strategy_Integrating_Agency_and_Organisational_Control_Perspectives (last visited June 11, 2026).

¹³ (PDF) Sustainable Directors' Duties and Reasonable Shareholders, RESEARCHGATE, https://www.researchgate.net/publication/376109999_Sustainable_Directors'_Duties_and_Reasonable_Shareholders (last visited June 11, 2026).

governance structures. Executive directors, including managing directors and whole-time directors, are involved in the day-to-day management of the company. Non-executive directors provide independent judgment and contribute to policy formulation without participating in routine administration. Independent directors occupy a particularly significant position as they are expected to bring objectivity to board deliberations, safeguard minority shareholder interests, and strengthen oversight mechanisms. Also mandates the appointment of woman directors in specified classes of companies with the objective of promoting diversity and inclusiveness in board composition. Additionally, nominee directors may be appointed by financial institutions, investors, or the Government to represent specific interests¹⁴. The board discharges its governance responsibilities through specialised committees constituted in accordance with statutory and regulatory requirements. The Audit Committee plays a vital role in overseeing financial reporting, internal controls, and the independence of auditors. The Nomination and Remuneration Committee ensures transparency in the appointment and compensation of directors and senior management personnel. Similarly, the Stakeholders Relationship Committee addresses grievances of shareholders and enhances investor confidence¹⁵. Despite the existence of elaborate governance mechanisms, boards often face challenges such as inadequate independence, information asymmetry, dominance by promoter groups and insufficient expertise in emerging areas of risk. Therefore, the effectiveness of the board depends not merely upon formal compliance with legal requirements but upon the willingness of directors to actively engage in informed decision-making, exercise independent judgment, and uphold the highest standards of integrity and accountability¹⁶. An efficient and diverse board is indispensable for ensuring that companies achieve their commercial objectives while adhering to legal obligations and broader stakeholder expectations.

4. Legal Framework Governing Directors in India

The effectiveness of corporate governance in India is significantly influenced by the legal and regulatory framework governing directors. Over the years, India has transitioned from a predominantly compliance-based approach to a governance-oriented regime that emphasises accountability, transparency and stakeholder protection. The primary sources governing

¹⁴ Types of Directors under Companies Act, 2013, <https://taxguru.in/company-law/types-directors-companies-act-2013.html> (last visited June 11, 2026).

¹⁵ Board Committees and Their Role in Corporate Governance in India - Taxmann, <https://www.taxmann.com/research/company-and-sebi/top-story/10501000000018618/board-committees-and-their-role-in-corporate-governance-in-india-opinion> (last visited June 11, 2026).

¹⁶ (PDF) Determinants of Corporate Governance Compliance: What Matters and What Does Not?, RESEARCHGATE, <https://www.researchgate.net/publication/367309358> (last visited June 11, 2026).

directors in India include the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI), and internationally recognised corporate governance principles¹⁷.

4.1 Companies Act, 2013

The Companies Act, 2013 represents a landmark reform in Indian company law and introduced several provisions aimed at strengthening corporate governance through enhanced board accountability and oversight.

4.1.1 Composition of the Board

Section 149 of the Act prescribes the minimum and maximum number of directors that a company may appoint. Public companies are required to have at least three directors, while private companies must have a minimum of two directors. The Act also mandates the appointment of at least one-woman director in prescribed classes of companies, thereby promoting gender diversity in boardrooms. Furthermore, certain classes of public companies are required to appoint independent directors. The inclusion of independent directors seeks to ensure objective decision-making and to protect the interests of minority shareholders from potential abuse by controlling shareholders or management¹⁸.

4.1.2 Appointment and Removal of Directors

The appointment of directors is governed by Sections 152 to 164 of the Act. These provisions prescribe qualifications, procedures for appointment, retirement by rotation, and circumstances resulting in disqualification. Directors may be disqualified on grounds such as conviction for specified offences, non-compliance with statutory obligations, or involvement in fraudulent activities. These safeguards are intended to ensure that individuals entrusted with corporate leadership possess integrity and competence¹⁹.

4.1.3 Duties of Directors

One of the most significant contributions of the Companies Act, 2013 is the codification of directors' duties under Section 166. Directors are required to: Act in accordance with the articles of association of the company, Act in good faith to promote the objects of the company for the benefit of its members as a whole and in the best interests of employees, shareholders,

¹⁷ IJCRT1136217.Pdf, <https://ijcrt.org/papers/IJCRT1136217.pdf> (last visited June 11, 2026).

¹⁸ Why Minimum and Maximum Number of Directors?, <https://taxguru.in/company-law/minimum-maximum-number-directors.html> (last visited June 11, 2026).

¹⁹ Rachit Garg, Types of Directors in Company Law, IPLEADERS (Dec. 29, 2023), <https://blog.ipleaders.in/types-of-directors-in-company-law/>.

the community, and the environment, Exercise their duties with due and reasonable care, skill, and diligence and exercise independent judgment, To avoid situations involving direct or indirect conflicts of interest, To refrain from achieving undue gain or advantage for themselves or their relatives and associates and refrain from assigning their office to any other person. The statutory recognition of these duties has strengthened the accountability framework applicable to directors and has provided a legal basis for addressing misconduct²⁰.

4.1.4 Board Committees

The Act further enhances governance standards by mandating the constitution of specific board committees. Section 177 requires certain companies to establish an Audit Committee responsible for overseeing financial reporting processes, internal controls, and auditor independence. Section 178 provides for the constitution of the Nomination and Remuneration Committee, which is entrusted with identifying suitable candidates for directorship and formulating remuneration policies. These committees facilitate specialised oversight and improve the effectiveness of board functioning²¹.

4.1.5 Independent Directors

Schedule IV of the Companies Act, 2013 prescribes a Code for Independent Directors, outlining their professional conduct, roles, responsibilities, and duties. Independent directors are expected to bring objective judgment to board deliberations, scrutinise management performance, and safeguard stakeholder interests. Their presence is considered essential for strengthening corporate governance practices²².

4.2 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

While the Companies Act, 2013 applies generally to companies, the SEBI (LODR) Regulations, 2015 impose additional governance obligations upon listed entities. These regulations seek to enhance transparency, protect investors, and improve board effectiveness. Regulation 17 deals with the composition of the board of directors and requires an optimum combination of executive and non-executive directors. It also prescribes the proportion of independent directors depending upon whether the chairperson is executive or non-executive in nature. Regulation 18 mandates the constitution of an Audit Committee consisting

²⁰ Parvejur Rahman & Sagufta Mehnaz, International Journal for Multidisciplinary Research (IJFMR), SSRN JOURNAL (2024), <https://www.ssrn.com/abstract=5054029>.

²¹ IJLLR Journal, Audit Committee: Section 177 Of The Companies Act, 2013, IJLLR JOURNAL (Mar. 26, 2026), <https://www.ijllr.com/post/audit-committee-section-177-of-the-companies-act-2013>.

²² [Taxguru.in/Company-Law/Independent-Directors-Role-Corporate-Governance-Law.Html](https://taxguru.in/Company-Law/Independent-Directors-Role-Corporate-Governance-Law.Html), <https://taxguru.in/company-law/independent-directors-role-corporate-governance-law.html> (last visited June 11, 2026).

predominantly of independent directors. The committee is entrusted with monitoring financial reporting, reviewing internal control mechanisms, and overseeing the performance of auditors. Regulation 19 requires listed entities to constitute a Nomination and Remuneration Committee to ensure transparent appointment processes and appropriate remuneration structures for directors and senior management personnel. Further, Regulation 23 governs related party transactions and mandates enhanced disclosure and approval requirements. These provisions aim to prevent conflicts of interest and protect minority shareholders from prejudicial transactions. The disclosure obligations imposed under the SEBI framework contribute significantly to transparency by requiring timely dissemination of material information affecting investors' interests²³.

4.3 Secretarial Standards

The Institute of Company Secretaries of India has issued Secretarial Standards that have been accorded statutory recognition under the Companies Act, 2013. Secretarial Standard-1 (SS-1) relates to meetings of the board of directors and prescribes procedures concerning notice, agenda, quorum, participation, and maintenance of minutes. Secretarial Standard-2 (SS-2) deals with general meetings of shareholders²⁴. These standards promote procedural consistency, improve documentation practices, and enhance transparency in corporate decision-making processes.

4.4 International Governance Principles

Indian corporate governance norms have also been influenced by international best practices. The OECD Principles of Corporate Governance emphasise shareholder rights, equitable treatment of stakeholders, disclosure and transparency, and board responsibilities. Although not legally binding, these principles have shaped governance reforms across jurisdictions and continue to guide policy development in India²⁵.

The existing legal framework governing directors in India is comprehensive and reflects global governance standards. The codification of directors' duties, the emphasis on board

²³ (PDF) Corporate Governance in India: Comparative Analysis of Listed Companies before and after SEBI (LORD) Regulations, 2015, RESEARCHGATE (2026), <https://www.researchgate.net/publication/394159760>.

²⁴ Secretarial Standard 1-Meetings of Board of Directors, <https://taxguru.in/company-law/secretarial-standard-1meetings-board-directors.html> (last visited June 11, 2026).

²⁵ (PDF) Corporate Governance Practice of Indian Companies – An Assessment of OECD Principles at Global Perspective, https://www.researchgate.net/publication/272290111_Corporate_Governance_Practice_of_Indian_Companies_-_An_Assessment_of_OECD_Principles_at_Global_Perspective (last visited June 11, 2026).

independence and the enhanced disclosure requirements demonstrate a clear legislative intent to strengthen corporate accountability. However, challenges remain in the practical implementation of these provisions. Concerns relating to promoter dominance, inadequate independence of directors, and a tendency towards formalistic compliance continue to undermine governance objectives²⁶.

5. Corporate Governance Failures

Corporate governance failures often expose deficiencies in board oversight, ineffective internal controls, and the inability of directors to discharge their fiduciary responsibilities. However the existence of comprehensive legal and regulatory frameworks, several Indian corporate scandals have demonstrated that compliance with statutory provisions alone cannot guarantee effective governance. These incidents underscore the importance of directors exercising independent judgment, professional scepticism, and ethical leadership²⁷.

5.1 The Satyam Computer Services Scandal

The Satyam scandal of 2009 remains one of India's most significant corporate governance failures. The founder and chairman of the company, Ramalinga Raju, admitted to manipulating the company's financial statements by overstating revenues, profits, and assets over several years. The scandal revealed serious weaknesses in board oversight and raised concerns regarding the effectiveness of independent directors and audit mechanisms²⁸. Although Satyam had a seemingly robust governance structure, the board failed to detect or question irregularities in financial reporting. The inability of directors to critically evaluate management decisions and scrutinise financial disclosures contributed to the continuation of fraudulent practices. The incident highlighted the need for stronger board independence, improved internal controls, and enhanced accountability mechanisms²⁹. The effect of the scandal prompted significant reforms

²⁶ RESEARCH TOPIC: "ESG Obligations and Directors' Fiduciary Duties in India: From Voluntary Disclosure to Enforceable Liability" by Bhavya Bajaj: SSRN, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=6719099 (last visited June 11, 2026).

²⁷ (PDF) The Failure of Governance and Internal Controls in Preventing Fraud in the Company, RESEARCHGATE (2026), https://www.researchgate.net/publication/389028482_The_Failure_of_Governance_and_Internal_Controls_in_Preventing_Fraud_in_the_Company.

²⁸ (PDF) The Debacle of Satyam Computers Ltd: A Case Study from Management's Perspective, RESEARCHGATE (2026), https://www.researchgate.net/publication/346232108_The_Debacle_of_Satyam_Computers_Ltd_A_Case_Study_from_Management's_Perspective.

²⁹ (PDF) Satyam Fraud: A Structural Functional Approach to Corporate Governance Reform, RESEARCHGATE, https://www.researchgate.net/publication/349844023_Satyam_Fraud_A_Structural_Functional_Approach_to_Corporate_Governance_Reform (last visited June 11, 2026).

in corporate governance framework in India, including stricter disclosure requirements, increased responsibilities for independent directors and the enactment of the Companies Act, 2013, which codified directors' duties under Section 166.

5.2 The IL&FS Crisis

The collapse of Infrastructure Leasing and Financial Services (IL&FS) in 2018 represented another major governance failure in India. The crisis emerged due to excessive borrowing, poor risk management practices, inadequate disclosures and ineffective board supervision. Despite signs of financial distress, the board failed to take timely corrective measures to address the deteriorating financial position of the company. Investigations into the crisis revealed concerns regarding the functioning of directors and the effectiveness of board committees in monitoring corporate affairs. Questions were raised about whether directors had exercised the required degree of care, diligence, and independent judgment expected under the law. The IL&FS episode demonstrated that directors must adopt a proactive approach to governance by identifying emerging risks, ensuring transparency in disclosures, and questioning management decisions when necessary. It also emphasised the importance of board competence in financial and risk-related matters³⁰. These corporate failures illustrate that directors play a critical role in preventing governance breakdowns. Directors cannot merely rely upon information provided by management but must actively participate in board deliberations, seek clarification where necessary, and ensure that appropriate oversight mechanisms are in place. The legal obligations imposed under the Companies Act, 2013 and SEBI regulations must therefore be complemented by a culture of ethical leadership and professional responsibility. Effective corporate governance requires directors to act not as passive participants but as vigilant stewards committed to protecting the interests of the company and its stakeholders³¹.

6. Emerging Challenges in Corporate Governance

The dynamic nature of the corporate environment has given rise to several emerging challenges that continue to test the effectiveness of corporate governance mechanisms in India. While legislative and regulatory reforms have strengthened governance standards, directors

³⁰ Corporate Governance Failure In IL&Fs: A Critical Legal Analysis, <https://www.ijllr.com/post/corporate-governance-failure-in-il-fs-a-critical-legal-analysis> (last visited June 11, 2026).

³¹ (PDF) Corporate Governance in Manufacturing and Management with Analysis of Governance Failures at Enron and Volkswagen Corporations, https://www.researchgate.net/publication/338489019_Corporate_Governance_in_Manufacturing_and_Management_with_Analysis_of_Governance_Failures_at_Enron_and_Volkswagen_Corporations (last visited June 11, 2026).

increasingly face complex issues that require proactive leadership, specialised knowledge, and strategic decision-making³². One of the most significant challenges is the growing complexity of regulatory compliance. Directors of modern corporations are expected to comply with multiple legal frameworks, including company law, securities regulations, environmental standards, labour laws and data protection requirements. The increasing volume of compliance obligations may lead to a "box-ticking" approach, where emphasis is placed on formal adherence to regulations rather than the substantive achievement of governance objectives. Consequently, directors must move beyond mere compliance and foster a culture of ethical and responsible decision-making³³.

Another major challenge relates to the independence and effectiveness of directors, particularly independent directors. Although independent directors are intended to provide objective oversight and protect stakeholder interests, concerns persist regarding promoter dominance, information asymmetry and the limited ability of independent directors to challenge management decisions. Questions have also been raised about whether independent directors possess adequate industry expertise and access to relevant information necessary for informed decision-making³⁴.

The increasing importance of Environmental, Social, and Governance (ESG) considerations presents both opportunities and challenges for boards of directors. Investors and regulators now expect companies to address issues such as climate change, social responsibility, diversity and sustainable business practices. Directors must integrate ESG considerations into corporate strategy while balancing financial performance with broader stakeholder expectations³⁵.

Technological advancements and cybersecurity risks have emerged as critical governance

³² (PDF) Corporate Governance in the 21st Century: A Review of Legal Reforms and Their Effectiveness, RESEARCHGATE (2026), https://www.researchgate.net/publication/384383730_Corporate_Governance_in_the_21st_Century_A_Review_of_Legal_Reforms_and_Their_Effectiveness.

³³ (PDF) Corporate Governance and Legal Compliance, RESEARCHGATE (2026), https://www.researchgate.net/publication/399195481_Corporate_Governance_and_Legal_Compliance.

³⁴ (PDF) INDEPENDENT DIRECTORS IN INDIA: A CRITIQUE OF THEIR ROLE AND LIABILITY UNDER SEBI (LODR), 2015, RESEARCHGATE (Apr. 8, 2026), https://www.researchgate.net/publication/403545659_INDEPENDENT_DIRECTORS_IN_INDIA_A_CRITIQUE_OF_THEIR_ROLE_AND LIABILITY_UNDER_SEBI_LODR_2015.

³⁵ (PDF) The Impact of Environmental, Social, and Governance (ESG) Reporting on Corporate Financial Performance, RESEARCHGATE (2026), https://www.researchgate.net/publication/384533952_The_Impact_of_Environmental_Social_and_Governance_ESG_Reporting_on_Corporate_Financial_Performance.

concerns. The growing dependence on digital technologies exposes companies to threats such as data breaches, cyberattacks, and misuse of confidential information. Directors are therefore expected to understand technology-related risks and ensure the implementation of effective cybersecurity policies and risk management frameworks³⁶.

Board diversity remains another area requiring attention. Although the appointment of women directors has improved gender representation, diversity in terms of professional expertise, age, experience, and perspectives continues to be limited in many organisations. A diverse board is more likely to promote innovation, independent thinking and effective governance practices³⁷.

Also, the challenge of balancing short-term profitability with long-term sustainability has become increasingly relevant. Directors often face pressure from shareholders to deliver immediate financial results, which may conflict with the need for sustainable growth and responsible business conduct. Effective governance requires directors to adopt a long-term perspective that prioritises resilience, stakeholder trust, and organisational sustainability³⁸. Directors must continuously enhance their competencies, remain informed about evolving regulatory developments, and embrace a governance approach that emphasises transparency and accountability. Need to address these challenges effectively will be essential to strengthening corporate governance practices and maintaining public confidence in the Indian corporate sector.

7. Conclusion

Corporate governance serves as the foundation for ensuring accountability, transparency and responsible management within corporate entities. In this framework, directors occupy a position of immense significance as they are entrusted with guiding the strategic direction of companies while safeguarding the interests of shareholders and other stakeholders. The

³⁶ (PDF) Digital Transformation and Cybersecurity Challenges for Businesses Resilience: Issues and Recommendations, RESEARCHGATE, https://www.researchgate.net/publication/373091797_Digital_Transformation_and_Cybersecurity_Challenges_for_Businesses_Resilience_Issues_and_Recommendations (last visited June 11, 2026).

³⁷ (PDF) Gender Diversity and Board Performance: Women's Experiences and Perspectives, RESEARCHGATE (2026), https://www.researchgate.net/publication/272101214_Gender_Diversity_and_Board_Performance_Women's_Experiences_and_Perspectives.

³⁸ (PDF) Balancing Profitability and Sustainability in Business, RESEARCHGATE, https://www.researchgate.net/publication/387859132_Balancing_Profitability_and_Sustainability_in_Business (last visited June 11, 2026).

effectiveness of corporate governance is therefore intrinsically linked to the manner in which directors perform their duties and exercise their powers. This research has demonstrated that the legal and regulatory framework governing directors in India has evolved considerably through the enactment of the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the adoption of recognised governance standards. The codification of directors' duties, emphasis on board independence and establishment of specialised board committees reflect a clear commitment towards strengthening governance practices. However, corporate governance failures such as the Satyam scandal and the IL&FS crisis reveal that regulatory reforms alone cannot guarantee effective governance. Challenges relating to promoter influence, inadequate board independence, emerging technological risks and evolving stakeholder expectations continue to test the capacity of directors to fulfil their responsibilities effectively.

Therefore, directors must move beyond a compliance-oriented approach and embrace their role and responsible stewards of corporate interests. The success of corporate governance depends not only on the existence of comprehensive laws but also on the integrity, competence, diligence and independence of those entrusted with corporate leadership. Promoting a culture of accountability and proactive oversight, directors can significantly contribute to sustainable business growth and reinforce public confidence in the corporate sector in India. Strengthening the role of directors is indispensable to the advancement of corporate governance in India. Directors must adapt to emerging challenges while remaining committed to the fundamental principles of fairness, transparency, accountability, and responsibility that underpin effective corporate governance.

8. Recommendations

Although the legal and regulatory framework governing corporate governance in India has undergone substantial reforms, effective implementation remains a challenge. To strengthen the role of directors in promoting good governance, several measures may be considered.

First, greater emphasis should be placed on enhancing the independence of boards. Independent directors should be selected through transparent processes based on merit, expertise and integrity rather than personal or professional affiliations with promoters. Periodic assessments of their independence and performance may further improve board effectiveness.

Second, continuous training and capacity-building programmes should be introduced for directors to enable them to understand emerging regulatory requirements, technological developments, cybersecurity risks and environmental, social, and governance (ESG) considerations. Well-informed directors are better equipped to exercise sound judgment and effective oversight.

Third, companies should encourage a culture of substantive compliance rather than procedural adherence. Directors must view corporate governance not merely as a legal obligation but as a mechanism for fostering stakeholder trust, organisational sustainability and business activities. Fourth, there is a need to promote greater diversity in board composition. Boards comprising individuals with diverse professional backgrounds, experiences and perspectives are more likely to engage in robust deliberations and innovative problem-solving.

Finally, regulatory authorities should continue strengthening enforcement mechanisms to ensure accountability for governance failures. Timely action against misconduct would reinforce the importance of directors' fiduciary duties and deter negligent behaviour. The effectiveness of corporate governance ultimately depends upon directors who are competent, independent and committed to upholding the highest standards of integrity and responsibility.



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