ROLE OF INSTITUTIONAL INVESTORS IN EFFECTIVE CORPORATE GOVERNANCE

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ABSTRACT

Corporate Governance is difficult to describe as an offshoot of management studies or a separate discipline. Emerged at the backdrop of big corporate's scam, it primarily revolves around effective management. What then would be effective management comes the next crucial question? A simpler thinking brings us to a common agreeable point that when every entity performs its designated functions efficaciously, an effective management is said to be established. However, the problem arises when one of them fails to perform or does not perform at all. Here, comes the role of checks, corporate governance thus establishes checks by encompassing the role of management, the board and the shareholders. One of the methods to restore effectiveness comes with incorporating more and more institutional investors. These while investing in chunks voice their opinion via a manager so appointed, since they form a substantial portion of company's holding they get a place in the corporate. They themselves oversee the functioning of management and can raise opinion against management's decision. They can force a corporate to encompass corporate governance principles. The presence of institutional investor is a guarantee of long lasting relationship of corporate with not only its investor but also with society. Incorporation of corporate governance principles not only fosters growth of corporate but also is a guarantee for effective handling of any mis-happening in the unseen future. Nonetheless, one can be assured with the presence of institutional investor that the corporate functions profoundly. This paper is an attempt to bring out what role an institutional investor plays in establishing corporate governance principles. It attempts to briefly understand corporate governance, institutional investor, associated legal framework and ends giving a guiding light towards the road ahead.

Introduction

Corporate Governance emerged in the backdrop of the hi-tech industrialised world demanding a more systematised regime for corporates to run. This was due to the open gate strategy of Narsima Rao government leading to globalisation, industrialization and privatisation. The new trends of the economy brought in new structures, the scams etc. led to emergence of corporate governance norms. A lot of factors have shaped the discipline as we see today, from introduction of concepts of independent director, independent auditor to institutional investors. This project undertakes to study the role of institutional investors in Corporate Governance. The investments pattern has also observed significant changes from rich wealthy businessman investing in giant corporates to single unit investors intending to participate in the economy by themselves. The scheme of institutional investor thereby emerged to pool the investments from individual units and invest in corporates and gain profits. This project therefore caters to study evolution of institution investors and the influence they have on corporate governance.

Understanding Corporate Governanc

Origin of corporate governance may be tracked back to the great work of Berle and Means titled *The Modern Corporation and The Private Property* which indicated features like management's responsibility towards shareholders and society at large[1]. Doing business is no more confined to borders of the country, cross-border business, investment and transaction is a major part of this globalized world. In few decades our corporate system has seen many cases of misfeasance and fraud. The major reason for such misconduct was lapses in the system and the law. In order to minimise these cases Corporate Governance as a discipline developed. Corporate Governance can be understood as a system and practice which benefits and take care of all the stake holders of the Company, it sets down the parameters for fair, just and transparent practices and fixes the accountability, functions and powers given to Board of Directors.[2] Corporate governance can be understood as the extension of Political system of governance.[3] In the democratic form of governance people and other Constitutional entities are stake holders and the government are entrusted with the power under the Constitution to serve this purpose. In the democratic form of government it is the people of the country who are supreme and government is accountable to them through election process. Likewise in a company Board of

[1]*See generally,* IndrajitDube, Corporate Governance 4 (1st ed., Lexis Nexis, Nagpur, 2009)
[2]*See generally,* SumitKhurana, Corporate Governance 2 (1st ed., Dreamtech Press, New Delhi, 2012)
[3]Dube, *Supra* note. 1, at 5

Directors are accountable to all its stake-holders. They are bound by the principle of corporate governance. Economic Cooperation and Development (OECD) defines corporate governance as accepted practices which govern the relationship in the market economy[4]. According to Sir Adrian Cadbury Corporate governance concerns with the balance between economic and social goal and between individual and community goal, its aim is to serve the interest of all stakeholders i.e. individuals, corporations and society[5]. It is the interest and belief of those stakeholders which corporate governance tries to boost. Corporate governance can be understood as best practices adopted by various corporations. Earlier corporation was understood as private system of corporation and it was not regulated but corporate governance tries to develop regulations or practice to regulate those unregulated activities.[6]

Understanding Institutional Investor

An institutional investor is a specialised category of shareholders who act in through an institution in the form of funds such as mutual fund, pension fund or insurance companies or banks. These investments are made on behalf of individual units.[7]Institutional Investors are not natural persons, they are recognised in law by virtue of being a juristic person. The range of institutional investors varies from being a company or partnership or banks whose one of the wings runs as institutional investor. An institutional investor thus can work on their own or can be associated with a larger entity.[8] They can be of two types that which operates domestically and those operating internationally. The characteristic feature of institutional investor rests with the systematic process via which they invest. They are custodian of funds from the public and are entrusted with the public money because of their competence, in the hope of receiving profitable returns.[9]

The era of investment strategies has marked a shift from private entities engaging insingle hand investment to today where individual investments are kept at the perusal of institutional

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[4]OECD, *OECD Principle of Corporate Governance* (2004) OECD *available at https://www.oecd.org/corporate/ca/corporategovernanceprinciples/31557724.pdf* (last visited on Oct. 04,2017)
[5]Khurana, *Supra*note. 2
[6]Dube *Supra* note. 1
[7] OECD, *Role of Institutional Investors in Promoting Good Corporate Governance* (2011) OECD *available at*https://www.oecd.org/daf/ca/49081553.pdf (last visited on Sept. 26,2017)
[8]*See generally*, SerdarCelik& Mats Isakassan, *Institutional Investors & Ownership Engagement* 2013(2) OECD Journal Financial Market Trends (2014) *available at*http:www.oecd.org/corporate/Institutional-investors-ownership-engagement.pdf (last visited on Mar. 26, 2025)
[9]*See generally*, ManyaSrivarshan*, Role of Institutional Investor in Corporate Governance*, SSRN-id-1391803 *available at* http://www.publicpriorart.org/xml/20/1/1/2281/79103/20.1.1.2281.79103.xml (last visited on Mar. 26, 2025).

investors. During 1880-1980, institutional investors were focused to invest in those stocks which had promising returns such as those of assets of high liquidity and government bonds. This trend marks a change with the beginning of 19th century, institutional investors now appreciated that pool investments in non-liquid assets could be reduced when a balanced portfolio is maintained.[10] The quantity of funds managed by institutional investors has increased since 1991 because of the more connected world.[11]The most crucial benefit that flows out from investing through an institutional investor is that an investor is barely affected from shocks arising due to market failures and economic depressions. The underlying reason is that the large investments are pooled together and then the investment is spread at various investment destinations, the failure of one of them does not have much effect on investor.Institutional Investors are a major market players of stock markets. There has been addition of various new variants of these kinds of investors, a more complex system has taken birth giving rise to the hedge funds, funds traded in stock exchange, funds from companies formed solely for providing a push to newly born entities.[12]In India the broad categories of institutional investor is divided into four categories: developmental financial institutions, as Industrial Development Bank of India (IDBI). Industrial Finance Corporation of India (IFCI), Industrial Credit and Investment Corporation of India (ICICI), another the insurance companies such as Life Insurance Corporation (LIC), General Insurance Corporation (GIC). Then there are banks and lastly mutual funds.

Corporate Governance Norms in Indian Legal Framework

In Indian Legal system no specific law or regulations incorporate all the aspects of corporate governance. It is the combinations of various laws, regulations and judicial precedents which have set the foundation of corporate governance norms in India.

- Corporate Governance under Companies Act 2013.

  The Companies Act 2013, incorporates many principles of corporate governance which acts as safeguards for share-holders and investors like requirement of independent

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[10]*See generally,*Oilver Wyman, *Direct Investing by Institutional Investors: Implications for Investors And Policy Makers,* World Economic Forum (2014) *available at* http://www3.weforum.org/docs/WEFUSA_DirectInvestingInstituionalInvestor.pdf(last visited on Mar. 26, 2025)
[11]*See generally*, Terry McNulty & Donald Nordberg Ownership, *Activism and Engagement: Institutional Investors as Active Owners* 24(3) John Wiley & Sons: Wiley Online Library, *available at*http://onlinelibrary.wiley.com/doi/10.1111/corg.12143/pdf(last visited on Mar. 26, 2025)
[12]*Supra* note. 8

director in board composition[13], mandatory inclusion of women director[14], mandatory institution of various committee such as Audit Committee[15], Nomination and remuneration committee, Stakeholders relationship committee[16], specifying the duties of Director and independent director[17]. Section 184 of Companies Act 2013 mandates all the directors to disclose any interest in any other company, firm or body corporate[18]. These guidelines helps to promote the ethical corporate practices.

- Security and Exchange Board of India (SEBI) guidelines.

Security and Exchange Board of India was established in the year 1992 under the Security and Exchange Board of India Act 1992. The primary purpose for establishing SEBI was to curb the malpractices and establish standard corporate governance norms. Various investor education program is organised by SEBI for awareness of the investors about their rights[19]. SEBI issues various regulations to promote best practices of corporate governance. Clause 35B of Listing agreement provides for e-voting right to the shareholders it will promote participation of shareholders in crucial decision making process[20], Clause 49 of Listing agreement provides guidelines for the composition of board, code of conduct of company and whistle blower policy[21]. In addition SEBI exercised Section 30 of Security and Exchange Board of India 1992 and passed several other regulations such as SEBI (Issue of Capital and Disclosure Requirements) regulations, 2009,SEBI (Listing Obligations and Disclosure Requirements), 2015 and SEBI (Prohibition of Insider Trading) Regulations 2015, which covers various principles of corporate governance relating to transparency, disclosure of material facts etc.

- Accounting Standard as issued by Institute of Chartered Accountants of India

[13]§ 149 of Companies Act 2013.
[14]§ 149 (1) of Companies Act 2013.
[15]§ 177 of Companies Act 2013
[16]§ 178 of Companies Act 2013
[17]§ 166 of Companies Act 2013
[18]§ 184 (1) of Companies Act 2013
[19]Securities And Exchange Board Of India Act, 1992 [Act 15 of 1992]
[20]Cl. 35B of Equity Listing Agreement
[21]Cl. 49 of Equity Listing Agreement

Section 129[22] of Companies Act lays down requirement to comply accounting standard notified under Section 133 of Companies Act 2013 while preparing financial statement of the Company. Section 133 empowers central government to prescribe accounting in consultation with Institute of Chartered Accountants of India[23]. This practice encourage uniform practice of accounting standards and also restrict any arbitrary process followed by any company.

- Institution of Investor Education and Protection Fund

Section 125 of Companies Act mandates the central government to establish Investor Education and protection fund for the promotion of investor education and awareness. Currently this fund is regulated by Ministry of Corporate Affairs.[24]

- Institution of National Foundation for Corporate Governance.

National foundation for Corporate Governance was set up in the year 2003 under the ministry of corporate affairs to create a structure of best corporate practices among the companies and to explore new area for corporate governance and encourage research, education in corporate governance in India.[25]

- The Institute of Company Secretaries of India (ICSI)

Institute of Company Secretaries of India is established under the Companies Secretaries Act 1980. ICSI issues certain sectorial requirements which are required to be followed under Section 118 of Companies Act 2013[26].

Institutional Investors' Role in Corporate Governance

Corporate Governance has emerged as a new discipline that focuses on aspects of ownership and control. A firm enduring corporate governance norms assures transparency in decision making process, proper and timely disclosures and an overall growth and prosperity of society

[22]§ 129 (1) of Companies Act 2013 Financial Statement- "The financial statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under section 133"
[23]§ 133 of Companies Act 2013
[24]§ 125 of Companies Act 2013
[25]*Introduction*, www.nfcg.in*available at*http://www.nfcg.in/introduction-page-10 (last visited on Mar. 26, 2025)
[26]§ 188 (10) of Companies Act 2013

in general. An investor is then eventually inclined to target his investment in a company that has good corporate governance norms.[27] An implication that can be drawn here is corporate governance norms boosts investors' confidence. In India, the role of institutional investor in incorporating corporate governance was first felt by Confederation of Indian Industries (CII), the CII believed that when institutional investors are made independent in their functioning, their working improves remarkably. The Committees such as those of Kumar Manglam Birla Committee and Narayan Murthy Committee have played significant roles in encompassing the roles of institutional investor in corporate governance. The Birla Committee emphasised that consistent reporting should be made to institutional investor to keep them aware about the policies and strategies undertaken.[28] The Narayan Murthy Committee stated that institutional investor helps not only in having a long term stable capital, they are also an essential market player, and hence their active participation in corporate governance of company will enable the company enhanced future gains. [29] The increasing acceptance of prudent role of institutional investor in corporate governance is widely acknowledged. Recently events of Tata Sons and Infosys Limited triggered the debate of the role of institutional investors and corporate governance norms, when Cyrus Mistry was removed as head of Tata Sons the institutional actively participated in all share-holders meeting and asked uncomfortable questions to the management regarding removal. The role of institutional investors in corporate governance can be seen under the following heads:

- <u>Voicing Opinions:</u>The diversity of investors prevalent today has made accessible shares of the companies to every household. Individual Investor per se may not be in a position to voice opinion in the corporate, as against institutional investor whose case is significantly different. An Institutional Investor in the event of investment holds large chunks of share, this gives rise to major shareholdings in the company, thereby enabling a forum to raise an opinion.[30] Corporate Governance hence is nothing but a function of large shareholding and effective legal protection.[31]An interesting corollary thereby exists encompassing that when institutional investors hold such large chunks of shares,

[27]Khurana, *Supra* note. 2

[28]*See generally*, PitabasMohanty, *Institutional Investors and Corporate Governance In India Proposal 42* NSE *available at*https://nseindia.com/content/research/Paper42.pdf (last visited on Sept. 26, 2017)

[29]Report by Alternative Investment Policy Advisory Committee, SEBI (2015) *available at*http://www.sebi.gov.in/sebi_data/attachdocs/1480591844782.pdf (last visited on Mar. 26, 2025)

[30]*Supra* note 9

[31]*See generally,* Maria Maher and Thomas Andersson, *Corporate Governance: Effects on firm Performance and Economic Growth*, OECD 1999 *available at*https://www.oecd.org/sti/ind/2090569.pdf (last visited on Mar. 26, 2025)

they may come in hand with those shareholders that have voting rights and when enjoying this similar right, they may effectively negate a decision or can effectively postulate one. Thus, active participation of institutional investor in company's corporate governance affairs can help not only in efficient work ethics but also in harmonising and channelizing the single unit investor's, who is now represented via institutional investor, interest to that with the company. The recent rift in Tata group when Mr. Cyrus Mistry, CEO of the company was sacked from his job. But his removal from all the major Tata companies (except TCS in which majority share-holdings are with promoters) required the support of other shareholders majority of them were institutional investors. It was upon the institutional investors to play key role in management of the company. It was on the institutional investors either to support the promoter's resolution or to reject it.[32]

- Serving a Medium:The Institutional Investor act as a via medium, meaning thereby they provide an interface between actual shareholders who are the real beneficiaries to that of company's Board and management Board. They help in conveying information from one end to the other end. When an institutional investor is well informed and aware the shareholder's interests are protected. Better access to company's affairs effectuates shareholder's participation and hence a strengthened corporate governance is established.[33] A problem with this however exists at places when institutional investors are diversified, they can be companies of companies each having a distinct AOA, this situation gives rise to disagreement with respect to any of the corporate governance norm. [34]

- Institutional Investor as Interest Protector: An interesting discussion undertaken in the study of corporate governance is diversification of ownership from control. The day to day affairs of the corporate entity is managed by Board of Directors, who act for the

[32]Satvik Verma*, Tata vs Mistry: It's Time Institutional Investors Acted as Watchdogs on Corporate Boards* ,Business Standard, Dec. 19, 2016*available at*http://www.business-standard.com/article/companies/tata-mistry-tussle-it-s-time-institutional-investors-act-as-watchdogs-to-corporate-boards-116121900637_1.html (last visited on Mar. 26, 2025)
See also, Our Bureau, *Tata-Mistry Spat: Institutional Investors Hold the Key in Group Companies,* The Hindu Business Line, , Nov. 20, 2016*available at*http://www.thehindubusinessline.com/companies/tatamistry-spat-institutional-investors-hold-the-key-in-group-companies/article9367653.ece(last visited on Mar. 26, 2025)
[33]*Supra* note. 7
[34]*See generally*, Stuart L Gillan& Laura T Starks, *Corporate Governance Proposals and Shareholder Activism: The Role of Institutional Investors*, Journal of Financial Economics 2000 available at www.elsveir.com (last visited on Mar. 26, 2025)

interest of shareholders. The high reliance on shareholder centric running of corporate business has now changed. It considerably now pins out the role of institutional investor. A beautiful seam of fusion is thus divested upon institutional investor they represent shareholder's interest in meetings and thereby ownership-control comes face to face. A shareholder who would otherwise may not be well informed and may not actively participate, participates via institutional investor. [35] An institutional investor by virtue of its voting rights is also in a position to change and re-elect Board of directors. Institutional Investors thus act as custodian of shareholders.[36]

- Sensitive Governance Investor:There are two types institutional investors, one who actively participates in the process of governance, often termed as governance sensitive and another who are governance insensitive, meaning not actively participating in the corporate governance norms.[37] The active participation by institutional investors enables the organisation to grow fully and work towards aims and responsibilities of society as a whole. When a corporate entity inculcates investments from sensitive institutional investors, they pressurise the corporates to have a well-structured effective corporate governance norm.[38] Recently in the Infosys case one of the institutional investor of Infosys OppenheimerFunds supported Infosys Ex- CEO Dr. Vishal Sikka, the first non-founder CEO of the company after his resignation from his post due to some allegations made by the founders of the Company. OppenheimerFunds supported Dr.Sikka and criticised the founders of the company to not treat this public listed company as "their" company.[39]

- Long Term Focus: Institutional Investor invest in companies keeping in mind the higher goals of excellence. Their presence promotes a healthy working environment working towards a targeted focus.[40]

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[35]*See generally*, Sanjeev Bhojraj& Partha Sengupta, *Effect of Corporate Governance on Bond Ratings and Yields: The Role Of Institutional Investors and Outside Directors* The University of Chicago Press(2003) *available at* http://www.jstor.org/stable/10.1086/344114 (last visited on Mar. 26, 2025)
[36]*Supra* note 28
[37]*Supra* note 9
[38]*Supra* note 2, at 7
[39]ET Bureau, *An Open Letter from OppenheinmerFundsto the Infosys Board of Directors*, The Economic TImes, Feb. 10, 2017*available at*http://economictimes.indiatimes.com/tech/ites/an-open-letter-from-oppenheimerfunds-to-the-infosys-board-of-directors/articleshow/57072977.cms (last visited on Mar. 26, 2025)
[40]*Supra*note2, at166

- Prevention Of Managerial Fraud And Negligence:Active participation of Institutional Investor can help in preventing managerial frauds and negligence. As they observe functioning of corporates in which they have invested such large sums, it is relatively important for them to take keen interest in where the money is ending up. Scams leading to frauds and compliance negligence can be cross-checked by their participation.

  A dual system of governance mechanism will be established empowering and facilitating the various entities associated with the entire profit-making process.[41]

- Skilled Interference: The Objective of any institutional investor is to procure best returns. This achieved by employing skilled managers to operate the fund. When the fund is managed by well-read and skilled manager, his efficient management skills help in strengthening the corporate governance structure by demanding timely disclosures, by seeking transparency, by enabling him to understand the way corporate is managed.

- Whistle-Blower: One of the most crucial role any institutional investor can play in any corporate is to act as a Whistle-Blower. A Whistle-Blower is any person, agency or any institution that comes to know about the unprincipled and unhonourable acts undergoing in the company.[42] The Whistle-Blower isn't exposed to any risks. The Institutional Investor can very well act as a Whistle-Blower, when they come to know about unscrupulous acts of the company. They know this through participating in hand with the Board in day to day affairs of the company.

- Monitoring:AnInstitutional Investor acts as check for the company. The system of checks enables corporates to be observant of corporate governance norms. Their presence and credibility to a definite organisation provide the company to earn goodwill. This goodwill acts as an incentive for every stakeholder to work in the best interests of the company and work ethically and nobly.

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[41] *See generally,* Brian J Bushee& Mary Ellen Carter, *Institutional Investor Preferences for Corporate Governance Mechanisms,* American Accounting Association (2014) *available a*t http://faculty.tuck.dartmouth.edu/images/uploads/faculty/joseph-gerakos/ContentServer.pdf(lastvisited Mar. 26, 2025)

[42] 'Whistle Blower', The Economic Times *available at* http://economictimes.indiatimes.com/definition/whistleblower(last visited on Mar. 26, 2025)

- Institutional Investor As Stewards In Corporates:Stewardship Theory in the corporate governance suggests that the managers who are concerned with their reputation is inclined towards practicing high moral and ethical values in the running of corporate wheel. An Institutional Investor with high voting blockage can be stewards in the company. This behaviour will have impetus on the entire corporate structure, as when institutional investor is concerned with its reputation, it would lay bare the importance of corporate governance norms to be recognised and practiced. This would be done in order to attract more people to pool into the fund so as to earn better returns.[43]

Thus, institutional investors play a key role in corporate governance. However, it must not be forgotten that every aspect has dual effects on one hand presence of institutional investor can help in achieving best corporate governance practices for a company, there are some areas where this situation can be affected. Agency-Cost problem can arise, wherein the incentives demanded can be more than required. The conflicting interests can lead to illegal actions. The Institutional Investor holds the fund from public in a fiduciary capacity. Any *malafide* intention on the part of them can lead to misconduct and hampering the trust with profits. An Institutional Institution can be driven towards carelessness owing to increasing unjustified demand for higher incentives.

The Road Ahead

The participation of institutional investor in effectuating corporate governance norms is referred to as investor activism. Investor Activism is less prevalent in India as compared to developed economies of USA and UK, one underlying reason for the same is awareness. Institutional Investors are very well aware of the rights, duties and associated functionalities in developed economy. Birla Committee Report suggests that active participation of institutional investor can help to prevent fiascos. Proper Disclosures with respect to exercise of voting power by the Institutional Investor should be mandated. This would ensure avoidance of any conflict of interests. A two-fold disclosure should be mandated one to the public to bring out the know-how of institutional investor and another to disclose the investment policy of the

[43]*See generally*, Benjamin W. Heineman, *Institutional Investors: The Next Frontier in Corporate Governance*Harvard Law School Forum on Corporate Governance and Financial Regulation (2011) *available at* https://corpgov.law.harvard.edu/2011/10/07/institutional-investors-the-next-frontier-in-corporate-governance/ (last visited on Mar. 26, 2025)

company.[44]The increasing importance of role of institutional investors can be felt through governments action claiming that institutional investor should come forward to take responsibility for not playing an active role in corporate governance, which led to scams. A recognition such as this brings out the needed role they are required to play in company and towards society as a whole.[45]The need for corporate governance mechanisms by institutional investor will always be felt by those entities which are investing in highly volatile instruments.[46]

The farsightedness of institutional investor has produced better results in order to avoid structural obstruction in companies. An encouragement to participate actively in company's affairs shall be done. Incentive based approach of the same may lead to an initial boost, however it must always be kept in mind of the entangled problems of interests. An Institutional Investor should not be in a position to compromise its objective of protecting shareholder's interests.[47]

While focusing on greater importance of Institutional Investors role in corporate governance another associated issue that pops up relates to whether exercising under the capacity of exerting pressure on managers, there is high probability of paralysing the Board to take certain management decisions. This can be due to Institutional Investors wanting to move their money to short-term investment strategies as against the Board who is willing to take the shot in long-term investments. A situation like this has to be addressed duly and a mid-way approach is appreciated.

Conclusion

Corporate Governance as understood is a discipline, it is a guiding light that keeps a corporate in track and also all the associated stakeholders aware and managed. One of the emerging entities in corporates today are institutional investors. Institutional Investors are a group of investors who play part in corporate via an institution. Interestingly, when coming at the doorstep of corporate with huge chunks of investment in the form of varied shares, they acquire

[44]*Supra* note. 9
[45]*See generally,* Simon C Y Wong *How Institutional Investor Should Step Up as Owners,* Mckinsey& Company(2010) *available at*http://www.mckinsey.com/business-functions/risk/our-insights/how-institutional-investors-should-step-up-as-owners (last visited on Mar. 26, 2025)
[46]*Supra* note. 41
[47]*Supra* note. 45

a right to voice the opinion. It has been observed when institutional investors are aware and well informed they let the corporates play clean employing all the corporate governance norms. Effective Corporate Governance makes a corporate run smoothly and function expeditiously satisfying not only investors but also the general public, hence boosting economy.

Institutional Investors are representatives of investor's interest and they put in all energy, efforts and zeal towards achieving best interest suited to them.

The presence of good corporate governance norms helps in fostering confidence of new investor entrants as well as existing investors by providing them a satisfaction as they now know where and how their money is invested. The Institutional Investors encourage disclosure norms, their presence in the corporate is itself check on decisions taken by Board. They are the majority investor, they hold such number of shares which enables them to voice opinion in the decision-making process. White Collar Crimes are prevented if institutional investor is present, interestingly a lot of difference also comes when an institutional investor is unaware. The heading titles deals with The Road Ahead, this segment elaborately describes various pitfalls in employing monies with institutional investor. Institutional Investor at the end of the day is nothing but a man who acts on behalf of all investors in the name of institutional investor and man is nothing at the end, but governed by self-interests. The most critical situation can take birth when an institutional investor gets driven by self-interests, he will not only compromise with interests which he protects, i.e. of investors and also will compromise with corporate governance norms. In this way the entire public whether the one's already investing as well as the one's wanting to invest prospectively are cheated. This leads to chaos and disturbed structure of corporate which gives birth to scams and frauds and country loses lot of its worth by filling fewer pockets.

One of the suggestions to boost corporate governance norms stems from the mere fact that institutional investors must be first educated aware and in a position to establish their rights. Various training programmes educational seminars should be attended by them so as to have sound knowledge of corporate governance norms. When an institutional investor is conscious a lot can happen and the entire corporate can be checked leading to growth, prosperity and healthy economy as well as country.