
RELATED PARTY TRANSACTIONS AND MINORITY SHAREHOLDER PROTECTION: A CRITICAL APPRAISAL OF SEBI'S RECENT AMENDMENTS

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ABSTRACT

An arrangement between 2 parties that are combined by a special relationship before a transaction is named a Related Party Transaction (RPT). It is one of the recurring areas of concern raised by recent corporate scandals. Even though numerous studies were done on RPT and Minority Shareholder (MS) protection, there was inadequate research investigating the disclosure of RPTs under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (SEBI LODR) regulations, particularly concentrating on Corporate Governance (CG) and Materiality Threshold (MT). Therefore, in the present study, the RPTs and protection of minority stakeholders under SEBI LODR amendments are examined. The laws governing RPTs, such as the Companies Act (CA), 2013, and SEBI (LODR) Regulation 2015, are examined in the study. SEBI, which plays a major role in effective and transparent CG, sets standards for detecting Related Parties (RPs), determining MTs for RPTs, and outlining the approval processes. As per the study, the absolute threshold of ₹1000 crores for the determination of RPTs as material is brought pursuant to an amendment of SEBI (LODR) Regulation 2015 in November 2021.

Keywords: Securities and Exchange Board of India, Minority Shareholder Protection, Related Party Transactions, Corporate Governance, and Materiality Threshold.

1. INTRODUCTION

The centrality of RPTs in many corporate scandals has recently fuelled the debate on their potential benefits and drawbacks. An RPT is conducted between 2 parties that have a prevailing business relationship prior to the transaction. “The Audit Committee (AC), external or internal auditors, and independent experts play a noteworthy part in validating and disclosing RPTs¹. RPTs are conventionally regarded as a tool to control shareholders for exerting expropriation over MSs via numerous mechanisms like endorsements, asset selling, RP loans, and trading relations. A trivial percentage of shares in a firm are owned by the MSs. They don’t have a noteworthy impact on the firm’s management or decision-making but could raise their voice against RPT resolutions². In many countries, as the expropriation of MSs and creditors by the controlling shareholders is extensive, investor protection is crucial³. A set of processes by which external investors defend themselves against expropriation by the insiders is termed CG. SEBI plays a critical role in shaping and regulating CG for Indian companies⁴. SEBI necessitates RPTs to be accepted by the AC as well as the shareholders. When one of the parties to the transaction is a listed entity, SEBI looks at transactions. To enhance the protection of MSs, SEBI can improve its regulatory oversight⁵.

The RPTs and SEBI have been explored by several researchers examined the amendments issued by SEBI for promoting CG⁶. These amendments promoted credible disclosure of all shareholders' contributions so that the end-use of initial public offering money was fair, transparent, and moved in the right direction. In the view of (Mahtani, 2018), companies were essential for obtaining shareholder approval by passing a normal resolution when analogized to the previous different resolution by non-related shareholders for RPTs. Special resolution required a higher majority vote of 75%, while ordinary resolution required a simple majority

¹ Y. Brain, Protecting Minority Shareholder Rights: Evaluating the Effectiveness of Legal Frameworks in Promoting Shareholder Democracy, 6 Int’l J.L. Mgmt. & Hum. 1748 (2023).

² Mahmoud El-Helaly, Related-Party Transactions: A Review of the Regulation, Governance and Auditing Literature, 33 Managerial Auditing J. 779 (2018).

³ Francesco Cappellieri, The Relationship Between Independent Minority Directors and Related Party Transaction Disclosure (Univ. of Calabria Thesis, 2021).

⁴ Mahdi Fooladi & Mohammad Farhadi, Corporate Governance and Detrimental Related Party Transactions: Evidence from Malaysia, 27 Asian Rev. Acct. 1 (2019).

⁵ Mohd. A. Hamid, Ivan W. K. Ting & Qian L. Kweh, The Relationship Between Corporate Governance and Expropriation of Minority Shareholders’ Interests, 35 Procedia Econ. & Fin. 99 (2016).

⁶ Nan Li, Do Majority-of-Minority Shareholder Voting Rights Reduce Expropriation? Evidence from Related Party Transactions (Univ. of Minn. Thesis, 2021).

vote of 50%⁷.

(Mahtani, 2018) stated that after the establishment of the revised reporting necessities of CA 2013, the RPTs' annual average value was higher for 2013-2015, as compared to the period 2009-2012. For enhancing the performance and assisting their associated and subsidiary firms, group companies used RPTs among the group and non-group companies. Moreover, Roberto Maglio et al. employed the RPT indicator for quantifying the tendency of most of the shareholders toward tunneling. As per the study, reforms could be created for upsurging the protection level for MSs in companies. This could contribute to the strength of good CG and corporate sustainability.

Moreover, analysed the CG mechanisms' effect on RPTs. In the CG mechanism, the board independence, block holdings, and institutional ownership were crucial. Similarly, (Patel & Patel, 2023) stated that the actual freedom of the Board of Directors (BoD) played a vital role in monitoring potentially self-dealing transactions. As the RPTs' diverse nature might influence the efficacy of these transactions, the investors, creditors, and policymakers shouldn't deem all RPTs as harmful transactions⁸.

RPTs can benefit companies by reducing the time involved in entering contracts. However, the prevalence of RPTs raises concerns about potential expropriation of value from MSs. Although numerous studies have been carried out on RPTs and MS protection, there is a necessity to look at the issue from a different lens. There remains a research gap on the MT for disclosure of RPTs under SEBI LODR amendments, while SEBI has progressively strengthened its regulatory framework, including the LODR Regulations and recent amendments. By addressing this research gap, this research intends to investigate the SEBI's recent amendments concerning RPTs for strengthening CG and augmenting the protection of minority stakeholders⁹. The research objectives are,

- To validate the role of SEBI regulations and CG in managing RPTs and protecting MSs.
- To investigate the role of Section 188 of the CA 2013 in RPTs and its intersection with

⁷ Michael N. Young, Mike W. Peng, David Ahlstrom, Garry D. Bruton & Yi Jiang, Corporate Governance in Emerging Economies: A Review of the Principal-Principal Perspective, 45 J. Mgmt. Stud. 196 (2008).

⁸ B. Burcin Yurtoglu, Corporate Governance and Implications for Minority Shareholders in Turkey, 1 J. Corp. Ownership & Control 72 (2003).

⁹ Jayati Sarkar & Subrata Sarkar, Large Shareholder Activism in Corporate Governance in Developing Countries: Evidence from India, 1 Int'l Rev. Fin. 161 (2000).

SEBI LODR amendments.

- To examine the role of the MT for disclosure of RPTs under SEBI LODR amendments and its implications on MSs' protection.
- To compare the RPT regulations between India and Singapore.

After the introduction (Section 1), the paper is arranged as: Section 2 describes the RPTs and the vulnerability of MSs, Section 3 represents the laws governing RPTs, Section 4 explains the CG and SEBI, Section 5 explores the threshold of material RPTs, Section 6 provides a comparison of RPT regulations across countries, and lastly, Section 7 concludes the study.

2. UNDERSTANDING RELATED PARTY TRANSACTIONS AND THE VULNERABILITY OF MINORITY SHAREHOLDERS

“The transactions betwixt a firm and its associated entities, like subsidiaries, associates, joint ventures, substantial shareholders, executives, and directors and their relatives, are referred to as RPTs. RPTs”, which are a share of every business group activity, are widespread. Various corporate scandals have revealed that the RPTs have come under scrutiny recently because companies have misused them¹⁰. Minority owners' rights and publicly traded corporations' decision-making are undermined by RPTs, making them a major CG issue¹¹.

2.1. Relevance of Related Party Transactions to Corporate Operations

RPTs have a substantial effect on the corporate operations, governance, and financial performance. They are significant from numerous angles, including conflicts of interest, financial reporting, CG, investor perception, and regulatory compliance¹².

Conflicts of Interest: While parties offer their own interests in advance of the company's best interests, conflicts of interest arise. If these conflicts are not handled properly and disclosed, they can cause damage to stakeholder trust, thus deteriorating the CG processes.

¹⁰ Jayanth R. Varma, Corporate Governance in India: Disciplining the Dominant Shareholder, 1 Indian J. Corp. L. 1 (2018).

¹¹ Qiao Liu & Zhaolian Lu, Corporate Governance and Earnings Management in the Chinese Listed Companies: A Tunneling Perspective, 13 J. Corp. Fin. 881 (2007).

¹² Michael W. Peng, Jianjun Wei & Jian Yang, Tunneling or Propping: Evidence from Connected Transactions in China, 17 J. Corp. Fin. 306 (2011).

Financial Reporting: Accurate and transparent financial reporting relies on proper disclosure of RPTs. Non-disclosure or insufficient accounting of RPTs can cause misinterpretation of financial statements by investors and other stakeholders.

CG: While RPTs are not inherently problematic, they do raise concerns about the potential for conflicts of interest. For mitigating the risks associated with RPTs and keeping the stakeholder trust, robust governance structures, impartial oversight processes, and moral behavior are essential.

Regulatory Compliance: Concerning RPTs, strict adherence to regulatory obligations is crucial to businesses that function in regulated environments. Legal and financial repercussions, like penalties, fines, and reputational damage, can be caused by non-compliance.

2.2. Impact of Related Party Transactions on Minority Shareholders

The business ecosystem's essential part that aids in maintaining the fairness as well as integrity of the market is MSs. They are generally individuals or entities who hold a very limited impact over a firm's functioning. As the business landscape is diversified and dynamic, protecting the rights of minority stockholders is crucial¹³.

Dilution of Ownership:

MSs frequently worry about RPTs and other business activities that could dilute their ownership stake or adversely affect their investment returns. These concerns stem from the potential for RPTs, where transactions take place between a company and its associated parties (like major shareholders or management), thus potentially disadvantaging.

Impaired Governance and Accountability: RPTs can signify crucial worries owing to the weakened governance as well as accountability, particularly affecting the minor owners. Weak governance as well as accountability in RPTs can also damage the effectiveness of observing measures aimed to protect the interests of investors.

Distorted Market Value: Reshaped market value due to RPTs is a serious concern that can significantly impact MSs regarding the informed conclusions about their investments, achieve

¹³ Ming Jian & T. J. Wong, Propping Through Related Party Transactions, 15 Rev. Acct. Stud. 70 (2010).

fair benefits from their undertakings, and their capacity to raise assets.

Risks to Minority Shareholders: Diverse dangers for MSs are presented by RPTs, thereby disabling their freedoms, interests, and venture returns. RPTs present different dangers to MSs, which can disable their freedoms, interests, and venture returns. RPTs that treat shareholders inequitably or oppress minorities tend to damage capital market integrity. RPTs provide limitations that weaken the trustworthiness as well as the viability of CG norms. The practices, such as independent board oversight, strengthened reporting mechanisms, and shareholder activism, help to generate a more stable as well as corporate environment. While handling RPTs, firms should prioritize fairly treating all shareholders and implement these practices¹⁴.

3. LAWS GOVERNING RELATED PARTY TRANSACTIONS

The CA (2013) and the SEBI (LODR) Regulations (2015) are the 2 major legislations governing RPTs in India. CA, 2013, is applied to both listed and unlisted companies, whereas SEBI Regulations, 2015, are applied only to listed companies.

Companies Act, 2013 – Section 188

“The Act has imposed a certain ceiling on the RPTs. There may be U”turns in regulatory architecture for RPT after introducing Section 188 of the CA, 2013. The purchase or sale of goods or supply of services and subscription of any shares or debentures of the company under the RPT was only covered by the CA, 1956. Nevertheless, immovable properties and leasing of property under the umbrella of RPT have been brought by the CA, 2013. The RPTs under Section 188 includes (i) sale and purchase or supply of any goods or materials, (ii) vending or disposing any kind of buying property, (iii) leasing of any type of property, (iv) offering or availing any services, (v) Appointing any agent for buying or selling goods, materials, services, or properties, (vi) Appointment of RP to any place of profit in the firm, its subsidiary firm, or associate firm, and (vii) Endorsing the subscription of firms any derivatives or securities”¹⁵.

SEBI (LODR) Regulations, 2015

SEBI was introduced to serve as a watchdog for observing the stock market’s activities and

¹⁴ Mara Faccio, Larry H. P. Lang & Leslie Young, Dividends and Expropriation, 91 Am. Econ. Rev. 54 (2001).

¹⁵ “Jay Dahya, Ognian Dimitrov & John J. McConnell, Dominant Shareholders, Corporate Boards, and Corporate Value: A Cross-Country Analysis, 87 J. Fin. Econ. 73 (2008)”.

regulating the stock market in 1988. In 2015, the SEBI amended Clause 49 of LODR for aligning it with the CA, 2013. The primary objectives are to align the listing requirements with the CA, 2013, and to enhance transparency, accountability, and CG for listed entities. In India, RPTs in listed companies are regulated under the SEBI (i.e., SEBI (LODR) Regulations 2015). Major Amendments under the listing agreement of SEBI are Shareholders' Rights (Clause 49), Provisions regarding Independent Directors (Clause 49), RPTs, and Disclosure and Transparency (Clause 49)¹⁶.

Approvals for RPTs

All kinds of RPTs necessitate AC's approval under the CA, and for every non-material RPT, the BoD's approval is essential. If the transaction is a normal business course on an arm's length basis, then the approval of shareholders is not required. If the transaction is entered at arm's length but not in the normal course of business, then the board should approve as per the recommendation of the AC (Romulo & Dalimunthe, 2023). Also, if the transaction is not at arm's length and in its normal course of business, then the board shall approve the same at its discretion because this kind of transaction should not be accepted by the AC. Under SEBI (LODR), all kind of RPTs requires AC's previous approval. For every material RPT, the shareholders' approval by ordinary resolution is essential. In Figure 1, the representation of the approval process of RPTs is shown¹⁷.

¹⁶ "Jing-Jing Chen, Peng Cheng & Xianjie Xiao, Related Party Transactions as a Source of Earnings Management, 21 Applied Fin. Econ. 165 (2011)".

¹⁷ "Mehdi Bennouri, Moez Nekhili & Philippe Touron, Does Auditor Reputation Mitigate the Expropriation of Minority Shareholders? The Role of Related Party Transactions, 37 Auditing: J. Prac. & Theory 1 (2018)".

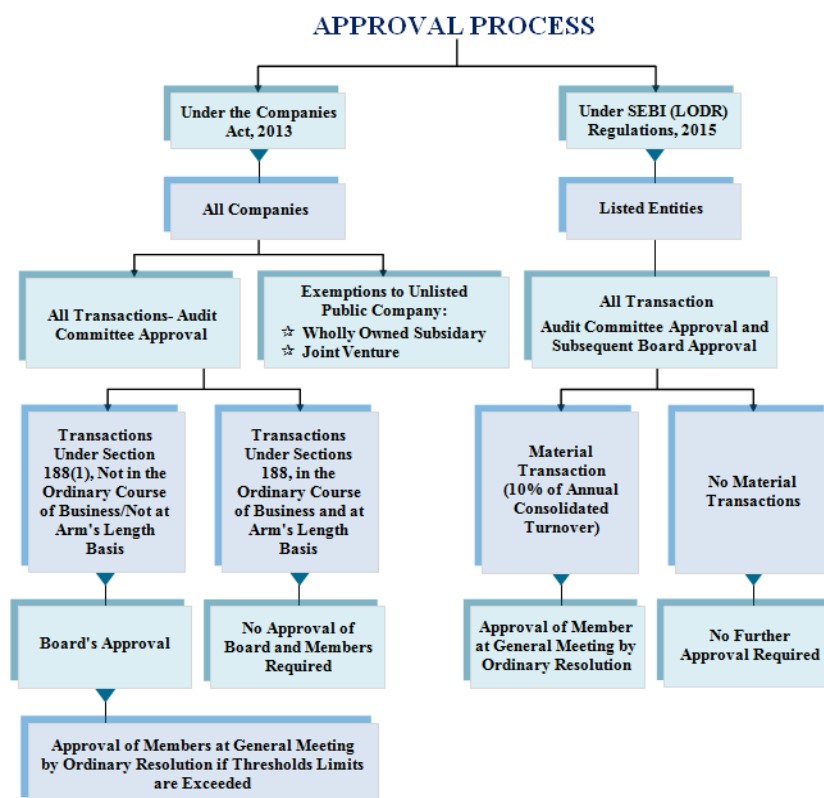


Figure 1: Approval process

4. CG AND SEBI

4.1. Role of SEBI in RPT Oversight

Statutory Position of SEBI in RPT Regulation

A regulatory body established by the Indian Government in 1992 for protecting the interests of shareholders investing in securities and regulating the securities market is SEBI. An inherent conflict of interest betwixt the interests of listed entities and RPs is potentially represented by the RPTs. SEBI has been reforming the regulatory approach that governs RPTs for mitigating the likelihood of abuse, as the Indian listed entities are considerably promoter-driven or closely held. It plays a significant role in monitoring and regulating market activities, assuring compliance with regulations, and taking remedial measures in case of any violations. SEBI sets standards for identifying RPs, determining MTs for RPTs, and outlining the approval processes¹⁸.

¹⁸ “Redhwan Al-Dhamari & Ku Nor Izah Ku Ismail, Cash Holdings, Political Connections, and Related Party Transactions, 5 J. Acct. Emerging Econ. 124 (2015)”.

SEBI LODR Regulation 23 and Schedule V

SEBI LODR Regulation 23 and Schedule V deal with RPTs and disclosures associated with remuneration of directors, respectively. As per regulation 23, listed entities have a policy on RPTs, including MTs and approval processes, with specific requirements for shareholder approval. The BoD is held responsible for reviewing the RPT policy at least once every three years and making necessary updates. The regulation aims to assure transparency as well as accountability in RPTs, promoting good CG. To enhance the scope of RPTs and MTs, Regulation 23 has been amended with clarifications and guidance provided for implementation. Schedule V outlines the disclosures related to director remuneration, including details of salary, benefits, bonuses, stock options, and service contracts. Regulation 23 and Schedule V work together to ensure transparency and accountability in transactions betwixt a listed company and its associated parties¹⁹.

SEBI's Recent Amendments

The SEBI's amendments for the past 5 years are,

- SEBI (Procedure for making, amending, and reviewing Regulations) Regulations, 2025.
- SEBI (Index Providers) Regulations, 2024.
- SEBI (Delisting of Equity Shares) Regulations, 2021.
- SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021.
- SEBI (Share-Based Employee Benefits and Sweat Equity) Regulations, 2021.
- SEBI (Vault Managers) Regulations, 2021.

4.2. Corporate Governance Mechanisms

Board of Directors and Shareholder Rights

The set of practices, processes, and rules that provide guidance to the direction and control of

¹⁹ "Belen Villalonga & Raphael Amit, How Do Family Ownership, Control, and Management Affect Firm Value?, 80 J. Fin. Econ. 385 (2006)".

a company is referred to as CG²⁰. It encompasses the dissemination of rights as well as duties amongst diverse stakeholders, like shareholders, the BoD, and management²¹. Ensuring the alignment of interests between these stakeholders and promoting the overall well-being of the organization are the primary purposes of CG. The CA, 2013²³, acts as a regulatory backbone for RPTs. It also mandates previous board approval for definite transactions to assure that they are performed visibly and in the best interest of all stakeholders²⁴.

Independent Directors' Role

The independent representatives' availability on the board is broadly deemed as a means of safeguarding the interests of Shareholders as well as other Stakeholders²⁵. It can take an independent view on the decisions of the management²⁷. Each listed public company is required to have at least 1/3 of the total number of Directors as Independent Directors. SEBI decides that the maximal number of boards an independent director can act on listed companies is limited to 7, whereas the directorship is capped at 3 if the person acts as an entire-time director in any listed firm²⁸.

Audit Committee's Oversight (Audit Committee under Section 177 and SEBI norms)

One of the significant pillars of the CG mechanism in the Company is the AC. Section 177 (1) and (2) of the CA, 2013, specifies that there will be an AC with a minimal of 3 directors as members, with independent directors generating a majority. SEBI amends Clause 49 of the Listing Agreement for aligning it with the CG provisions specified in the CA, 2013, with the

²⁰ "I. Sridhar & S. S. Jasrotia, Related Party Transactions and Corporate Governance: Evidence from India, 20 Int'l J. Indian Culture & Bus. Mgmt. 1 (2020)".

²¹ Simeon Djankov et al., The Law and Economics of Self-Dealing, 88 J. Fin. Econ. 430 (2008).

²² "Stijn Claessens et al., Disentangling the Incentive and Entrenchment Effects of Large Shareholdings, 57 J. Fin. 2741 (2002)".

²³ "Yin-Lian Cheung, P. Raghavendra Rau & Aris Stouraitis, Tunneling, Propping, and Expropriation: Evidence from Connected Party Transactions in Hong Kong, 82 J. Fin. Econ. 343 (2006)".

²⁴ "S. Srinivasan, Corporate Governance and Stewardship in India: An Evolving Regulatory Framework, 31 Nat'l L. Sch. India Rev. 1 (2019)".

²⁵ Umesh S. Mahtani, Analysis of Related Party Transactions in India: A Group and Non-Group Company Perspective, 15 Corp. Ownership & Control 1 (2018).

²⁶ "Mehdi Nekhili, Moez Bennouri & Houssein Nagati, Do Board Gender Quotas Benefit Minority Shareholders? An Illustration Through Related-Party Transactions, Brit. J. Mgmt. (2021)".

²⁷ Vivek Singh & Ankit Yadav, Prospectus and the Protection of Minority Shareholders: A Critical Analysis of Indian Law and Practice, 6 Int'l J.L. Mgmt. & Hum. 1735 (2023).

²⁸ Andrei Shleifer & Robert W. Vishny, A Survey of Corporate Governance, 52 J. Fin. 737 (1997).

²⁹ "Org. for Econ. Coop. & Dev., Related Party Transactions and Minority Shareholder Protection (OECD Publ'g 2023)".

enactment of the CA, 2013. SEBI plays a significant role in effective as well as transparent CG³⁰³¹.

5. THRESHOLD OF MATERIAL RELATED PARTY TRANSACTION

Materiality Threshold under SEBI LODR

The MTs' determination is reliant upon predetermined criteria, including character, transaction size, and impact on the company's financials. "According to SEBI LODR's Regulation 23³², the Company should provide MTs for transactions beyond which the Shareholders' approval will be necessitated. In November 2021, SEBI revised the MT to obtain shareholder approval for covering transactions exceeding ₹1000 Crore or 10% of the yearly consolidated turnover, whichever is less. As per the Company's previously audited financial statements, if the transaction entered separately or together with prior transactions exceeds ₹1,000 crore or 10% of the yearly consolidated turnover of the firm during a financial year", whichever is lesser, a transaction with an associated party is deemed as 'material'. This revised MT became effective on April 1, 2022. Before April 1, 2022, no absolute numerical threshold was found for RPTs that necessitate shareholders' approval³³.

Implications of the materiality threshold on minority shareholder rights

Protecting the MSs' interests is SEBI's primary role. By facilitating MSs to examine more RPTs, this objective is promoted by the MTs of ₹1000 crore³⁴. This offers a greater association for a company's transactions, where there is greater scope for a potential 'conflict of interest'. A comprehensive framework that protects shareholders across the board is laid down by the CA, 2013, along with SEBI regulations for listed entities, whether they hold a small stake or a

³⁰ Org. for Econ. Coop. & Dev., G20/OECD Principles of Corporate Governance (OECD Publ'g 2015).

³¹ "Marianne Bertrand, Paras Mehta & Sendhil Mullainathan, Ferreting Out Tunneling: An Application to Indian Business Groups, 117 Q.J. Econ. 121 (2002)".

³² "Kee-Hong Bae, Jun-Koo Kang & Jin-Mo Kim, Tunneling or Value Added? Evidence from Mergers by Korean Business Groups, 57 J. Fin. 2695 (2002)".

³³ "Todd Mitton, A Cross-Firm Analysis of the Impact of Corporate Governance on the East Asian Financial Crisis, 64 J. Fin. Econ. 215 (2002)".

³⁴ "Hsiang-Da Wang, Chia-Chi Cho & Chih-Jen Lin, Related Party Transactions, Business Relatedness, and Firm Performance, 101 J. Bus. Res. 411 (2019)".

controlling interest³⁵³⁶.

Voting restrictions on related parties

Since the CA, 2013, was introduced, voting by RPs on RPTs was a controversial issue. The CA signifies that no member can vote on the special resolution if such member is an associated party³⁷³⁸. As per Regulation 23 of SEBI LODR, 2015³⁹, shareholders' prior approval via ordinary resolution is required by all material RPTs⁴⁰ and ensuing material alterations, as explained by the AC under sub-regulation (2)⁴¹. Further, the vote of an RP isn't required for approving such resolutions, whether the entity is an associated party to the specific transaction or not. The voting restrictions on RPTs under the CA, 2013, continue to apply, while the restrictions on RPs to vote on RPTs have been deleted.⁴²⁴³⁴⁴

6. COMPARISON OF THE REGULATIONS OF RELATED PARTY TRANSACTIONS BETWEEN COUNTRIES

Singapore ranked 1st in the 2018 RPT Index, followed by Hong Kong and Malaysia, and India came in at 20th. The comparison of RPTs between India and Singapore is given in Table 1.

³⁵ "Rafael La Porta, Florencio Lopez-de-Silanes, Andrei Shleifer & Robert W. Vishny, Investor Protection and Corporate Governance, 58 J. Fin. Econ. 3 (2000)".

³⁶ Mark Kohlbeck & Brian W. Mayhew, Valuation of Firms That Disclose Related Party Transactions, 29 J. Acct. Pub. Pol'y 115 (2010).

³⁷ Tarun Khanna & Krishna Palepu, Is Group Affiliation Profitable in Emerging Markets? An Analysis of Diversified Indian Business Groups, 55 J. Fin. 867 (2000).

³⁸ Elizabeth A. Gordon, Elaine Henry & Darius Palia, Related Party Transactions and Corporate Governance, 9 Advances Fin. Econ. 1 (2004).

³⁹ "Ronald C. Anderson, Sattar A. Mansi & David M. Reeb, Board Characteristics, Accounting Report Integrity, and the Cost of Debt, 37 J. Acct. & Econ. 315 (2004)".

⁴⁰ Hafiz Ullah & Adeel Shah, Related Party Transactions and Corporate Governance Mechanisms: Evidence from Firms Listed on the Karachi Stock Exchange, 17 Pak. Bus. Rev. 1 (2015).

⁴¹ Suchita Shukla & Nidhi Tripathi, The Evolving Role of SEBI in Promoting Corporate Governance in Indian Listed Companies, 1 Int'l Multidisciplinary Res. E-J. 1 (2015).

⁴² Simon Johnson, Rafael La Porta, Florencio Lopez-de-Silanes & Andrei Shleifer, Tunneling, 90 Am. Econ. Rev. 22 (2000).

⁴³ Roberto Maglio et al., Exploring Sustainable Governance: Compliance with the Italian Related Party Transactions Regulation for the Legal Protection of Minority Shareholders, 27 Corp. Soc. Resp. & Env't Mgmt. 1 (2019).

⁴⁴ Paul M. Healy & Krishna G. Palepu, Information Asymmetry, Corporate Disclosure, and the Capital Markets, 31 J. Acct. & Econ. 405 (2001).

Table 1: Comparison of RPT in India and Singapore

Aspects	India	Singapore
Regulatory Framework	<ul style="list-style-type: none"> ● CA, 2013 ● SEBI (LODR) Regulations, 2015 	<ul style="list-style-type: none"> ● CA ● Singapore Exchange (SGX) Listing Rules
Approval Mechanism	AC approval is mandatory for all RPTs, and shareholders' approval is required for the above material RPTs.	AC pre-approval is mandatory for all RPTs, and shareholders' approval is required for the MT.
MT	A transaction exceeding ₹1000 crore or 10% of consolidated yearly turnover (whichever is lower) is deemed material.	The SGX Listing Rules define a "material RPT" as one amounting to 10% or more of the corporation's overall consolidated assets centered on its most recent audited financial statements.
Transfer Pricing Documentation	All international and specified domestic RPTs must be conducted at Arm's Length and thoroughly documented.	Transfer pricing documentation is mandatory if their annual revenue/turnover is more than \$10 million and they do not meet the annual exemption threshold for the specific RPTs.
Voting in the shareholders' meeting	RPs are excluded from voting on RPT resolutions.	Interested parties and their associates are excluded from voting.
Disclosure requirements	Listed firms should submit a 6-month RPT disclosure in a prescribed format to the stock exchanges.	Immediate announcement of material RPTs and disclosure in annual reports.

Both India and Singapore prioritize robust governance of RPTs via their respective company laws and listing regulations”. While there may be nuances in their thresholds, the overarching goal remains the same, thus ensuring fairness, transparency, as well as accountability in transactions betwixt firms and their RPs.

7. CONCLUSION

In the study, the RPTs and protection of minority stakeholders under SEBI LODR Regulation 2025 and CA 2013 were examined. It also examined the MT for disclosure of RPTs under SEBI

LODR amendments. Moreover, the study analogized the RPT regulation of India with a developed country, Singapore. As per the findings, the major impacts of RPTs on MSs were the dilution of ownership, impaired governance and accountability, distorted market value, and risks to MSs. As per the study, SEBI revised the MT to obtain shareholder approval for covering transactions that exceeded ₹1000 Crore or 10% of the yearly consolidated turnover, whichever was lower, in November 2021. In addition, the CA, 2013, stated that all RPs shouldn't be allowed to vote on such resolutions. As per the study, both India and Singapore prioritized robust governance of RPTs via their respective company laws and listing regulations. It also ensured fairness, transparency, and accountability in transactions betwixt companies and their RPs. Nevertheless, based on a qualitative design, the study was designed. Therefore, the quantitative design will be used in future research to perform a comprehensive analysis of the present study.

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