
CORPORATE GOVERNANCE IN THE 21ST CENTURY: LESSONS FROM MAJOR SCANDALS AND REFORMS IN INDIA

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ABSTRACT

Corporate governance has emerged as one of the defining pillars of responsible business conduct in the 21st century. It represents the framework through which corporations ensure transparency, accountability, and long-term sustainability in an increasingly complex global marketplace¹. In India, the evolution of corporate governance has been both reactive—arising from high-profile corporate scandals such as Satyam (2009)², IL&FS (2018)³, and Yes Bank (2020)⁴ and progressive, driven by legislative and regulatory reforms through the Companies Act, 2013⁵ and SEBI's Listing Obligations and Disclosure Requirements (LODR) Regulations⁶. This paper explores the evolution of corporate governance in India, highlighting how legal reforms, ethical leadership, and sustainability principles have redefined transparency, accountability, and stakeholder trust. It analyzes key corporate failures, evaluates the effectiveness of regulatory responses, and proposes strategies to strengthen board integrity, investor confidence, and long-term corporate legitimacy in the 21st century.

¹ Organisation for Economic Co-operation and Development, Principles of Corporate Governance (OECD Publishing 2015).

² Securities and Exchange Board of India v Satyam Computer Services Ltd (2009).

³ Serious Fraud Investigation Office, IL&FS Crisis Investigation Report (Government of India 2019).

⁴ Reserve Bank of India, Intervention Report: Yes Bank (RBI 2020).

⁵ Companies Act 2013, Section 135, 139–140, 149(1), 149(4), 177(9) (India).

⁶ Securities and Exchange Board of India, Listing Obligations and Disclosure Requirements Regulations (2015) regs 17–18, 23, 24, 34, 46.

I. Introduction: The Contemporary Relevance of Corporate Governance

Corporate governance refers to the set of systems, principles, and processes by which companies are directed and controlled.¹ It defines the distribution of rights and responsibilities among different corporate participants board of directors, managers, shareholders, and stakeholders and outlines the procedures for decision-making (OECD Principles of Corporate Governance, 2015). In a rapidly globalizing economy marked by technological innovation and competitive capital markets, sound governance has become indispensable for maintaining investor confidence and ensuring corporate accountability.¹

In India, the discourse on corporate governance gained traction after the liberalization reforms of 1991, when domestic corporations began attracting global investors and integrating into international markets⁷. However, rapid corporate growth also revealed deep governance flaws—fraud, insider control, and conflicts of interest—that undermined market trust. Scandals like Satyam² and IL&FS³ highlighted that weak governance causes both economic damage and ethical decline, transforming corporate governance from simple compliance to a moral and strategic necessity founded on fairness, transparency, and accountability.

The trajectory of India's corporate governance reforms reflects a gradual shift from voluntary codes to binding statutory obligations. Beginning with the Confederation of Indian Industry's (CII) Desirable Corporate Governance Code (1998),⁸ the journey culminated in the comprehensive regulatory framework established under the Companies Act, 2013 and SEBI's LODR Regulations (2015). These frameworks seek to balance law, ethics, and managerial accountability, reinforcing that governance is not just about rules it is about the values that underpin corporate behavior.

II. Evolution of Corporate Governance in India

India's corporate governance reforms evolved through a combination of institutional recommendations, legislative interventions, and market-driven imperatives. The progression can broadly be divided into three stages: the early reform phase (1990s–2000s), the statutory consolidation phase (2013), and the regulatory strengthening phase (2015 onwards).

⁷ Government of India, Economic Liberalization Reforms (1991)

⁸ Confederation of Indian Industry, Desirable Corporate Governance Code (CII 1998).

1. Early Reforms and Committee Recommendations

The initial phase was led by voluntary initiatives. The CII's Desirable Corporate Governance Code (1998) sought to improve transparency and investor confidence by encouraging self-regulation among corporates.⁹ This was followed by the landmark Kumar Mangalam Birla Committee (1999), constituted by SEBI, which recommended mandatory inclusion of independent directors, establishment of audit committees, and enhanced financial disclosure norms (SEBI Circular No. D/2000/29)¹⁰. These recommendations were adopted through the insertion of Clause 49 into the Listing Agreement in 2000, marking the beginning of enforceable governance norms in India.

The Naresh Chandra Committee (2002) and Narayana Murthy Committee (2003) subsequently focused on auditor independence, rotation, and whistleblower mechanism¹¹. These developments emphasized that effective governance extends beyond legal compliance—it embodies integrity, ethical leadership, and public accountability.

2. The Companies Act, 2013: A Paradigm Shift

The Companies Act, 2013 represented a watershed moment in India's corporate history. Replacing the outdated Companies Act of 1956, it institutionalized governance reforms through mandatory provisions that combined legal enforceability with ethical orientation⁵. Key features include:

- Independent Directors to ensure objective and impartial board oversight (Companies Act, 2013, Sec149(4))⁵;
- Mandatory Woman Director to promote gender diversity (Sec149(1))⁵;
- Corporate Social Responsibility (CSR) obligations requiring large companies to spend 2% of average net profits on social initiatives (Sec135)⁵;
- Auditor Rotation and Accountability to prevent conflicts of interest (Sec139–140); and

⁹ Various Authors, Studies on the Evolution of Corporate Governance in India (2000–2010).

¹⁰ Securities and Exchange Board of India, Report of the Kumar Mangalam Birla Committee on Corporate Governance (SEBI 1999).

¹¹ Government of India, Report of the Naresh Chandra Committee on Corporate Audit and Governance (2002).

- Whistleblower Protection Mechanism enabling employees to report unethical practices (Sec177(9))⁵.

These provisions embedded principles of inclusivity, responsibility, and ethical stewardship into the corporate legal framework, aligning Indian governance standards with global best practices.

3. SEBI's Regulatory Strengthening

To further align with evolving international norms, SEBI introduced the Listing Obligations and Disclosure Requirements (LODR) Regulations in 2015. These regulations standardized governance practices across listed entities, emphasizing transparency, board independence, and investor protection. Following the recommendations of the Kotak Committee (2017), SEBI's 2018–2021 amendments mandated at least one independent woman director, clarified the separation of roles between the chairperson and CEO, and enhanced disclosure norms on executive remuneration.¹² This marked India's transition from a rule-based to a principle-based governance regime focused on ethical performance and accountability.

III. Major Corporate Scandals: Lessons for Governance

India's governance reforms have largely been reactive, triggered by corporate crises that exposed systemic loopholes. The following cases illustrate how governance failures led to structural reforms.

1. Satyam Computers (2009): India's Enron

The Satyam scandal remains a defining moment in India's corporate history. Founder Ramalinga Raju admitted to falsifying financial statements by nearly ₹7,000 crore², inflating profits and assets. Despite the company's strong market reputation, the board and auditors failed to detect the deception. The episode demonstrated that compliance without ethical consciousness is hollow.

Lessons Learned:

¹² Securities and Exchange Board of India, Report of the Committee on Corporate Governance (Kotak Committee Report) (SEBI 2017).

- Independent directors must exercise genuine oversight rather than symbolic approval.
- Auditor accountability must be strictly enforced (Companies Act, 2013, Sec140)⁵.
- Transparency and internal audit controls are essential to prevent reputational and financial collapse.

2. IL&FS Crisis (2018): Governance Breakdown in Finance

IL&FS, a major infrastructure financier, defaulted on over ₹90,000 crore in debt, triggering a contagion across India's financial system. Investigations revealed a nexus of poor risk management, insider favoritism, and opaque accounting.³

Lessons Learned:

- Enhanced regulatory supervision is vital for systemically important financial institutions.
- Audit committees must operate with independence and integrity (SEBI LODR, Reg. 18).⁶
- Credit rating agencies must maintain professional diligence and transparency.

3. Yes Bank Collapse (2020): Regulatory Complacency and Board Failure

Yes Bank's aggressive lending practices and disregard for risk management led to a liquidity crisis.⁴ Despite multiple RBI warnings, the management continued unsustainable practices, underscoring the need for strong regulatory vigilance.

Lessons Learned:

- Fit-and-proper criteria for key managerial personnel must be strictly enforced (RBI Master Directions, 2016).¹³
- Risk management systems should be proactive, not reactive.
- Independent oversight is crucial to balance growth with prudence.

¹³ Reserve Bank of India, Master Directions on Governance and Ownership in Banks (RBI 2016).

4. Zee Entertainment (2023): Promoter Control and Minority Rights

The Zee case highlighted persistent governance challenges in family-controlled companies. Allegations of fund misuse and promoter interference demonstrated that concentrated ownership could still undermine board independence, even under a modern regulatory regime.¹⁴

Lessons Learned:

- Minority shareholders must be effectively protected.
- Board independence should be genuine, not procedural.
- Disclosure norms must extend to promoter-related transactions.

IV. Legal Framework for Corporate Governance in India

1. The Companies Act, 2013

The Companies Act serves as the cornerstone of India's governance system, introducing several statutory obligations designed to institutionalize transparency and ethical behavior. Core provisions include:

1. Independent Directors – One-third of the board of listed companies must consist of independent directors (Sec149(4)).⁵
2. Audit Committees – Oversee internal controls and financial reporting integrity (Sec177).⁵
3. Nomination and Remuneration Committees – Ensure fair and merit-based appointments (Sec178).⁵
4. Corporate Social Responsibility – Mandates socially responsible expenditure (Sec135).⁵
5. Auditor Rotation – Prevents overfamiliarity and conflicts of interest (Sec139–140).⁵

¹⁴ Securities and Exchange Board of India, Investigation Report on Zee Entertainment Enterprises Ltd (SEBI 2023).

6. Whistleblower Mechanism – Encourages employees to report ethical violations (Sec177(9)).⁵

These provisions collectively enhance accountability, prevent insider dominance, and foster public trust in corporate entities.

2. SEBI (LODR) Regulations, 2015

SEBI's LODR framework complements the Companies Act by focusing on listed entities and their disclosure obligations. Key regulatory standards include:

Reg. 17: Board composition and separation of powers.⁶

Reg. 18: Audit committee structure and functions.⁶

Reg. 23: Disclosure and approval of related-party transactions.⁶

Reg. 24: Governance norms for subsidiaries.⁶

Reg. 46: Mandatory website disclosures for investor awareness.⁶

The 2018 Kotak Committee-inspired amendments further strengthened transparency, gender inclusivity, and accountability, aligning Indian practices with global benchmarks.¹²

3. Role of Other Regulatory Bodies

Corporate governance in India operates within a multi-regulatory framework. The Reserve Bank of India (RBI) oversees financial prudence in banks and NBFCs¹³, ICAI ensures professional ethics in auditing¹⁵, and the Serious Fraud Investigation Office (SFIO) investigates complex corporate frauds.¹⁶ Together, these agencies create a comprehensive governance ecosystem designed to safeguard market integrity and public trust.

V. Ethical and Managerial Dimensions of Corporate Governance

Corporate governance in India has matured, combining ethics with management. Beyond laws,

¹⁵ Institute of Chartered Accountants of India, Auditing Standards (ICAI 2015–2020).

¹⁶ Serious Fraud Investigation Office, Annual Report (Government of India 2019).

true governance relies on boards that uphold integrity, transparency, and accountability to earn stakeholder trust.

Ethical Leadership

Role of Executives and Directors: Ethical governance starts with leadership. Senior executives and independent directors must demonstrate ethical behavior by adhering to strong codes of conduct. By promoting values like honesty, transparency, and caution, they set an example for the entire organization.¹⁷

Trust and Reporting: Ethical leadership encourages employees to report unethical practices, fostering a culture of accountability. This helps reduce the risks of compliance being seen as a mere formality.¹⁸

Transparency and Disclosure

Importance of Transparency: Trust in companies depends on transparency. Under SEBI's Listing Obligations and Disclosure Requirements (LODR), listed companies must provide comprehensive reports on strategies, risks, and board decisions. This allows investors to make informed decisions.¹⁹

Environmental, Social, and Governance (ESG) Reporting: SEBI's mandate for Business Responsibility and Sustainability Reports (BRSR) requires companies to disclose their climate risks, social impacts, and diversity metrics. Full disclosure of financials and executive compensation holds managers accountable to stakeholders.²⁰

Stakeholder-Oriented Governance

Broadening the Focus: Governance should not only serve majority shareholders but also consider employees, creditors, communities, and the environment. Corporate Social Responsibility (CSR) provisions under Section 135 of the Companies Act, 2013, require

¹⁷ Policy Circle, 'India Needs Corporate Governance with a Moral Compass' (2025)

¹⁸ Institute of Directors (IOD), 'Corporate Governance in India' (2025).

¹⁹ Law Blend, 'Corporate Governance in India: Evolution, Regulatory Framework, and Emerging Trends' (2025).

²⁰ Corporate Governance in India | IOD, 'Corporate Governance in India' (2025).

companies to spend a portion of profits on social welfare, aligning business objectives with societal goals.²¹

CSR and ESG Integration: Boards are increasingly integrating ESG factors into business strategies, focusing on labor conditions and environmental sustainability, ensuring long-term value creation for all stakeholders.²²

VI. Persistent Challenges in India's Governance Framework

Despite reforms, India's governance framework faces challenges that hinder effective implementation.

Promoter Dominance and Related-Party Risks

Family-Controlled Companies: Family ownership often leads to self-dealing and conflicts of interest, undermining independent oversight. Though laws require minority shareholder approval for related-party transactions, promoters often exploit loopholes.²³

Independent Scrutiny: Independent directors must exercise greater diligence in reviewing related-party transactions, ensuring that they serve the best interests of all shareholders.²⁴

Regulatory Overlap and Complexity

Multiple Regulators: Overlapping regulations from SEBI, MCA, RBI, and others create confusion. Simplifying and streamlining the regulatory framework can reduce compliance gaps and improve effectiveness.²⁵

Implementation and Enforcement Gaps

Weak Enforcement: Though India's laws are robust, enforcement remains inconsistent. Regulatory bodies like SEBI and SFIO need greater resources and powers to act swiftly against

²¹ Law Blend, 'Corporate Governance in India: Evolution, Regulatory Framework, and Emerging Trends' (2025).

²² Russell Reynolds Associates, 'Corporate Governance Trends in India 2025' (2025).

²³ Primedatabase, 'Corporate Governance Trends in India 2025' (2025).

²⁴ Russell Reynolds Associates, 'Corporate Governance Trends in India 2025' (2025).

²⁵ Law Blend, 'Corporate Governance in India: Evolution, Regulatory Framework, and Emerging Trends' (2025).

violations, ensuring that wrongdoers are deterred.²⁶

Formally Independent, But Not Always Independent

Director Independence: Meeting the legal criteria for independence does not guarantee true autonomy. Some independent directors may have hidden ties to management. Regular evaluations of director independence are necessary to ensure genuine oversight.²⁷

Complex Ownership Structures

Obscured Control: Complex ownership structures make it difficult to identify who truly controls a company. Greater transparency in ownership disclosure would improve accountability and investor confidence.²⁸

VII. Global Comparisons and Best Practices

India's corporate governance framework has aligned with global standards, yet it faces unique challenges.

Alignment with Global Standards

Regulatory Reforms: India has incorporated international principles, such as mandatory audit committees, rotation of auditors, and stricter disclosure requirements, bringing its governance framework closer to global best practices.²⁹

Protection for Minority Shareholders: India's regulations protect minority shareholders through class-action lawsuits and approval thresholds for related-party transactions. However, promoter dominance still poses challenges.³⁰

Gender Diversity and ESG Leadership

Gender Diversity: While India has improved gender diversity through mandatory quotas, it still

²⁶ Primedatabase, 'Corporate Governance Trends in India 2025' (2025).

²⁷ Corporate Governance in India | IOD, 'Corporate Governance in India' (2025).

²⁸ Institute of Directors (IOD), 'Corporate Governance in India' (2025).

²⁹ Russell Reynolds Associates, 'Corporate Governance Trends in India 2025' (2025).

³⁰ Primedatabase, 'Corporate Governance Trends in India 2025' (2025).

lags behind the global average, with women occupying approximately 18% of top board seats.³¹

Leadership in ESG: India's early focus on CSR and recent mandatory ESG reporting puts it ahead of many global peers in stakeholder governance.³²

VIII. Emerging Trends: ESG, Technology, and the Future of Governance

Corporate governance is increasingly shaped by ESG factors and technology, driving companies to adapt to new challenges.

ESG and Sustainability

Growing Focus on ESG: SEBI's mandate for BRSR reporting ensures that companies disclose their environmental and social impacts. This reflects a broader global trend towards integrating sustainability into corporate strategy.³³

Sustainability Integration: Companies are aligning business strategies with sustainability goals, including reducing carbon emissions and improving labor conditions, demonstrating a shift toward long-term value creation.

Technological Influence on Governance

Digital Risks and Cybersecurity: With growing reliance on digital systems, companies face new risks like cyberattacks and data breaches. Boards are strengthening IT governance and risk management strategies to address these emerging challenges.³⁴

Technological Opportunities: AI and data analysis offer opportunities for improved decision-making, but companies must ensure ethical and secure use of technology.³⁵

Growing Influence of Institutional Investors

Investor Influence: Institutional investors and proxy advisory firms are increasingly shaping corporate governance in India, particularly around executive compensation and board

³¹ Primedatabase, 'Corporate Governance Trends in India 2025' (2025).

³² Corporate Governance in India | IOD, 'Corporate Governance in India' (2025).

³³ Law Blend, 'Corporate Governance in India: Evolution, Regulatory Framework, and Emerging Trends'.

³⁴ Russell Reynolds Associates, 'Corporate Governance Trends in India 2025' (2025).

³⁵ Primedatabase, 'Corporate Governance Trends in India 2025' (2025).

composition. Companies are responding by improving transparency and diversifying board members' skills and experiences.³⁶

IX. Recommendations

To address ongoing challenges and seize emerging opportunities, several measures are recommended:

Rigorous Enforcement

Empower regulators like SEBI and SFIO to act quickly on governance violations. Strengthening penalties for fraud and non-compliance will ensure a more robust deterrent.³⁷

Strengthening Board Quality

Boost board diversity and accountability through regular reviews and mandatory ethics, risk, and ESG training.³⁸

Fostering an Ethical Culture

Boards should create a culture that prioritizes ethics. Leaders must publicly support integrity and hold individuals accountable for misconduct.³⁹

ESG and Stakeholder Focus

Businesses must prioritize ESG integration, with regulators promoting clearer climate governance and broader disclosures.⁴⁰

Streamlining Regulations

Simplify regulations and improve coordination between SEBI, MCA, RBI, and other agencies

³⁶ Russell Reynolds Associates, 'Corporate Governance Trends in India 2025' (2025).

³⁷ Law Blend, 'Corporate Governance in India: Evolution, Regulatory Framework, and Emerging Trends' (2025).

³⁸ Primedatabase, 'Corporate Governance Trends in India 2025' (2025).

³⁹ Corporate Governance in India | IOD, 'Corporate Governance in India' (2025).

⁴⁰ Russell Reynolds Associates, 'Corporate Governance Trends in India 2025' (2025).

to reduce compliance complexity and ensure efficiency.⁴¹

X. Conclusion

Corporate governance in India has evolved from a reactive system shaped by scandals to a progressive framework rooted in ethics, accountability, and transparency. The Companies Act, 2013 and SEBI's LODR Regulations have transformed governance from mere compliance into a strategic commitment to integrity and stakeholder trust. However, persistent challenges such as promoter dominance, weak enforcement, and limited board independence demand deeper reforms. Strengthening regulatory coordination, enhancing board diversity, and embedding ESG principles can drive long-term sustainability. Ultimately, good governance is not confined to laws—it reflects a culture of honesty, responsibility, and public accountability. Only by uniting legal rigor with ethical consciousness can Indian corporations secure investor confidence and uphold their legitimacy in an increasingly globalized economy.

⁴¹ Law Blend, 'Corporate Governance in India: Evolution, Regulatory Framework, and Emerging Trends' (2025).