RELATED PARTY TRANSACTIONS AND TRANSPARENCY IN CORPORATE GOVERNANCE: AN INDIAN LEGAL PERSPECTIVE

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ABSTRACT

While related-party transactions play a vital part in the operations of a company and can offer significant benefits, they can be highly sensitive to the conflict of interest and impact of the minority shareholders' interests when mis-managed. This paper takes a detailed look into the legal framework in India for related party transactions as contained in the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. It examines the statutory requirements for the identification, approval and disclosure and supervision of such transactions, as well as the responsibilities of board of directors, the audit committee and shareholders. The study is carried out in a doctrinal and analytical way by using a statutory approach, judicial approach, approach by regulation and approach by literature. It also looks at issues of transparency, the regulatory hurdles and deficiencies in applying the existing safeguards. While the law in India has mechanisms for controlling related party transactions, mechanisms for effective enforcement, independent oversight and adequate disclosure are still in need of focus, the paper suggests. It recommends to improve corporate governance practices and safeguard the interests of minority shareholders in the promotion of accountability, investor confidence and transparency in Indian Companies.

Keywords: Related Party Transactions, Corporate Governance, Transparency, Companies Act, 2013, SEBI (LODR) Regulations, Minority Shareholders, Disclosure Requirements.

1. INTRODUCTION

Corporate governance is the rules, practices and processes that govern the direction and control of companies. It lays down the connection between the board of directors, management, shareholders and other stakeholders and draws attention to the fact that business is operated responsibly, ethically and transparently[1]. Good corporate governance embraces accountability, fairness and investor confidence and the sustainable performance of business organisations. Related Party Transactions (RPTs) are any transactions between a company and a person or entity with a special relationship to the company. These relationships may be related or direct or indirect through the "involvement of a director, a position of responsibility, by becoming a shareholder, having a family relationship or exercising control or having a significant influence. They can relate to, for example, transactions involving related parties, such as a company selling to another company or its direct or indirect related parties, and the other company buying the goods it is selling.

RPTs do not necessarily mean illegal or damaging. They can provide support to the business efficiency, low costs of transactions, and cooperation of companies that make up the same corporate group. They could also, however, lead to conflicts of interest when directors, promoters or controlling shareholders are concerned in transactions which are not necessarily in the best interests of the company[2]. These can lead to misuse of the company's assets, misallocation of wealth, fraud of the financial accounts and exploitation of minority shareholders. In conclusion, there is a need for transparency in the regulation of RPTs. Companies should reveal the nature, value, purpose and terms of such transactions to enable shareholders and regulators to make an assessment as to equity. The Companies Act, 2013, Sections 177, 184 and 188 of the act contain safeguards concerning related party transactions in India. An additional Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 applies to the listed companies. These measures would enhance the accountability of companies and safeguard shareholders in abusive transactions.

2. SCOPE OF THE STUDY

The study covers legal aspects of related party transactions in the Indian corporate governance.

[1] Brahma K. Legal transplantation and related party transactions in emerging markets. International Journal of Disclosure and Governance. 2023 Mar;20(1):52-69.
[2] Vijayakumar V. Impact of Related Party Transactions and the Enhanced Governance Provisions. SJCC Management Research Review. 2025 Dec 30:104-16.

It covers the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with emphasis on their provisions in relation to Related Party Transactions, including identification, approval and disclosure requirements of Related Party Transactions. It also examines the role of the board of directors, audit committee and shareholders in the promotion of transparency and accountability. The study takes into account the protection of minority shareholders, judicial solutions to conflicts of interest and regulatory issues that make effective implementation a challenge. There is a limited geographical scope – India.

3. REVIEW OF LITERATURE

Previous research has acknowledged related party transactions as an important corporate governance issue. A. Galani and N. Rehn in their research paper looked at the potential for utilising RPTs for the transfer of corporate value in the interests of controlling shareholders, in Related Party Transactions: Empowering Boards and Minority Shareholders to Prevent Abuses (2010). They stated that they would seek to enhance board supervision and minority shareholders' rights.

Based on these studies, Padmini Srinivasan expressed her findings that RPTs were prevalent in Indian companies in her study – An Analysis of Related Party Transactions in India. Her research focused on the nature of the transactions, the performance of companies and the role of the auditors.

In a paper titled Understanding Related Party Transactions: A Neglected Issue in Corporate Governance (2017), Minny Narang spoke about the issue of inadequate disclosure, which has led to a lack of corporate governance efficiency in India, as well as looking at the legal framework in India.

The OECD report on Improving Corporate Governance in India: Related Party Transactions and Minority Shareholder Protection (2014), highlighted that effective monitoring and regulatory protections against abusive transactions are important.

Another more recent study by Tripathi, et al. (2025) studied the effects of corporate governance mechanisms on opportunistic RPTs in the Indian context, bringing in the independent director as a critical factor. Similarly, Kushwaha et al. (2025) studied the association between RPTs and audit fees in public companies in India. Overall, the above studies confirm that RPTs can

be effective in fulfilling the legitimate business of the state but need good disclosure, independent oversight and regulatory supervision.

4. OBJECTIVES OF THE STUDY

- To discuss the notion and importance of related party transactions in corporate governance.
- To study legal framework around related party transactions in India.
- To scrutinize the meaning and compliance of disclosure and transparency provisions of SEBI Regulations and the Companies Act, 2013.
- To discuss the responsibility of the audit committees, the boards of directors, and shareholders in overseeing related party transactions.
- To uncover regulatory gaps and make recommendations to strengthen transparency and corporate accountability.

5. HYPOTHESIS

The study is carried out based on the following propositions

- India currently has legal protections to control related party transactions, however implementation issues make it hard for transparency to be maintained.
- Minority shareholders can be negatively affected by insufficient disclosure of related party transactions and ineffective monitoring thereof.
- Increasing independent oversight and enforcing regulations more effectively will enhance accountability of corporate governance.
- Propositions are analysed, not in a statistical way, but based on the statutory provisions, the judicial decisions and existing academic publications.

6. RESEARCH METHODOLOGY

The study uses the methods of research doctrinal and analytical. It rests, to a large extent, on

secondary analysis of existing provisions of law, judicial precedents and jurisprudence. The primary legal sources consist of the Companies Act, 2013, the SEBI Act, 1992, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, any applicable amendments and regulatory circulars. The secondary sources are books, journal articles, research papers, and legal commentaries/reports of recognised institutions. The information gathered is analysed to assess the existing India regulatory system related to processes of related party transactions.

7. LIMITATIONS OF THE STUDY

The study is limited primarily to the Indian legal framework and does not make a detailed comparison with foreign jurisdictions. It is doctrinal in nature and fails to include any independent empirical surveys or interviews. The analysis is based upon statutory regulation, disclosure of associated transactions and corporate governance mechanisms rather than on the detailed financial valuation, valuation of any individual transactions related to specific parties. Based on the legal materials and academic literature examined its conclusions will therefore be drawn.

8. CONCEPT AND LEGAL FRAMEWORK OF RELATED PARTY TRANSACTIONS

8.1 Meaning and Definition of Related Party Transactions

A related party transaction (r.p.t.) is a financial or commercial transaction carried out by a company between itself and a person or entity that has a connection with that company by virtue of ownership, management, control, relationship as a director or in other known or recognised relationship[3]. These transactions can be entered into by a company with its directors, key managerial personnel, close family, subsidiaries, holding companies or associates or entities under material company control.

In the Companies Act, 2013, the term “related party” is defined as follows: Section 2(76) of the Companies Act, 2013 – definition of "related party" in relation to a company. Such "directors" and their relatives, key managerial personnel and their relatives, certain firms and companies affiliated with the directors or managers, and a few holding[4], subsidiary and

[3] El-Helaly M. Related-party transactions: a review of the regulation, governance and auditing literature. Managerial Auditing Journal. 2018 Nov 27;33(8-9):779-806.
[4] Fooladi M, Shukor ZA. Corporate governance and disclosure of related party transactions. In2nd international

associate companies come under the definition. It also includes entities to which the company relates as a result of control or significant influence but where the conditions defining the use of such terms are not met.

The reason for determining related parties is to ensure any transactions carried out between people who have a special relationship with the company are appropriately reviewed.

8.2 Nature and Types of Related Party Transactions

Depending on the commercial relationship between the parties, related parties can engage in a variety of activities and transactions. Common examples include:

Purchase/Sale of goods: A company can buy raw materials from promoters/directors of the company and sell finished products to promoters/directors of the company.

Leasing of property: The company can lease office buildings, land or other property from a related party[5].

Rendering of services: Payment may be for any transactions involving consultancy, management, technical, professional or administrative services.

Financial arrangements with related parties: Companies can make loans, guarantees and investments with these related companies. There also may be specific separate statutory provisions such as Sections 185 and 186 of the Companies Act, 2013, that apply to such arrangements.

Transfer of resources and obligations: When a company transfers a resource, or obligation, and associated assets to an associated entity, or too, the transfer can be recorded in the company's financial statements as assets (or obligations) transferred to the associated entity, or too[6].

Such transactions should be considered from a legal perspective and in the context of regulatory provisions. While Section 188 of the Companies Act, 2013 apply to all the transactions in question, however, some transactions may fall under the purview of the other provisions and/or

conference on business and economic research (2nd ICBER 2011), Langkawi, Malaysia 2011 Mar 15 (pp. 14-16).

[5] Mahtani US. Related party transactions in India and their impact on reported earnings. The Journal of Developing Areas. 2019;53(1).

[6] Davies PL. Related party transactions: UK model. European Corporate Governance Institute (ECGI)-Law Working Paper. 2018 Feb(387).

the requirements of the SEBI.

8.3 Significance of Related Party Transactions in Corporate Operations

RPTs can be beneficial to business activities as they enable trading between businesses within the same corporate group. They can cut the negotiation expenses, coordinate better, find resources, and ease the efficient allocation of business activities. For instance, they can have their subsidiary provide them with administrative or technical services for the purposes of efficiency[7].

Where there is a related relationship, however, there needs to be more protection. A sale made supposedly to be in the best interests of the business can be an unfair price, preferential terms and/or transfer of economic benefits to the controlling party. Hence, the intent for each transaction has to be considered and also whether it is fair or not.

8.4 Conflict of Interest and Risks Associated with RPTs

Conflict of interest is a frequent issue of concern with RPTs. Corporate decisions are subject to the influence of directors and controlling shareholders to their own benefit or from entities associated with them[8]. This can prevent transactions from taking place at terms less advantageous than would be negotiated at the open market.

An abusive RPT might result in funds diversion, transfer of valuable properties, not recording liabilities, and misreporting of financials. Likely to be losing power in the decision-making process with the minority shareholders. Thus, well-functioning disclosure, independent approval, and regulatory oversight are needed to separate out the legitimate transaction from the transaction arrangement to extract corporate value.

9. REGULATORY FRAMEWORK GOVERNING RELATED PARTY TRANSACTIONS IN INDIA

9.1 Companies Act, 2013

In India, the Companies Act, 2013 is the major legislation governing related party transactions.

[7] Pacces AM. Procedural and substantive review of related party transactions. The law and finance of related party transactions. Cambridge University Press, Cambridge. 2019:181-217.
[8] Marchini PL, Andrei P, Medioli A. Related party transactions disclosure and procedures: a critical analysis in business groups. Corporate Governance: The International Journal of Business in Society. 2019 Nov 19;19(6):1253-73.

Under Section 2(76) there is a definition of related Party, which also encompasses directors, relatives and other companies that are connected as a consequence of ownership, control or influence. This definition assists businesses in recognizing transactions in need of legal review.

Section 188 applies to transactions between a company and related parties (sale or purchase of goods, leasing of property, provision of services, appointment of agents or relations involving an office or place of profit)[9]. These sorts of deals are usually subject to Board approval. When threshold limits are exceeded the approval of the shareholders is also required. Section 188(1) is, however, not applicable to transactions entered into "in the normal course of business" and carried out on an "arm's-length" basis on the basis of the provisions of the statute. There are also provisions to disclose, ratify and impose penalties for non-compliance in section 188.

Specified Companies have to establish an Audit Committee to review and approve related party transactions in accordance with Section 177[10]. Section 184 includes a disclosure of directors' interests in other entities to aid in determination of potential conflicts of interest. In addition, Section 189 calls for the company to keep registers of the contracts and arrangements all relevant, maintaining proper records and accountability for the company.

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

There are further safeguards for listed companies, provided under the SEBI (LODR) Regulations, 2015. Definition of related parties is contained in Regulation 2(1)(zb) and Rules relating to related party transactions are contained in Regulation 23[11]. It mandates listed entities to have policies relating to materiality and related party transactions. Previously, it was required to get approval from the Prior Audit Committee; now, like the regulation, material transactions also require shareholder approval. Generally related parties have limited rights to vote on any such votes.

Schedule XII in the SEBI (LODR) Fifth Amendment Regulations[12], 2025 was incorporated which sets the new materiality limits in relation to the consolidated turnover of the listed

[9] Vijayakumar V. Impact of Related Party Transactions and the Enhanced Governance Provisions. SJCC Management Research Review. 2025 Dec 30:104-16.
[10] Vyas V. Materiality Thresholds And Shareholder Approval For Related-Party Transactions In India. Available at SSRN 6363398. 2026 Mar 7.
[11] Brahma K. Legal transplantation and related party transactions in emerging markets. International Journal of Disclosure and Governance. 2023 Mar;20(1):52-69.
[12] Sridhar I, Jasrotia SS. Related party transactions and corporate governance: evidence from India. International Journal of Indian Culture and Business Management. 2020;20(2):234-44.

companies. Such requirements build upon the existing developing interest in reviewing major deals and make companies more vigilant about the aggregate value of all such transactions and the revelation of disclosure and information.

9.3 Role of SEBI in Regulating Listed Companies

The Securities and Exchange Board of India (SEBI) is a pivotal player in fostering transparency and safeguarding investors. The LODR Regulations lay down the disclosure and approval and reporting requirements for listed companies. Also, it publishes regulatory circulars and amendments, as well as checks adherence and enforces it in case of breaches. These steps help to ensure that investors have access to the relevant information regarding transactions that could impact a business's financial position and governance.

9.4 Comparison Between Companies Act Requirements and SEBI Regulations

The general requirements of companies are stipulated by the Companies Act, 2013 while the SEBI regulations impose extra requirements on a listed entity. Section 188 is dedicated to specified transactions and approval of the latter is mandated under certain circumstances in respect of the same[13]. Regulation 23 further strengthens the oversight role of the Audit Committee, application of materiality thresholds and disclosures to regulatory agencies and shareholders. Both are complementary tools to encourage transparency and accountability. Thus, listed companies would be required to be independent in complying with the requirements of both laws.

10. TRANSPARENCY AND DISCLOSURE REQUIREMENTS IN CORPORATE GOVERNANCE

10.1 Importance of Transparency in Related Party Transactions

Transparency is one of the critical aspects of the good corporate governance practice. It ensures that shareholders and other interested parties are provided with information regarding transactions with the possibility of affecting the company's financial position, performance or decision-making. For RPTs, transparency diminishes the problem of information asymmetry

[13] PATEL D, Patel NK, Patel NK. Related Party Transactions Compliances, Cases and Reforms. Naresh, Related Party Transactions Compliances, Cases and Reforms (November 04, 2023). 2023 Nov 4.

and can help uncover arrangements that could contain conflict of interest elements[14].

Appropriate disclosure allows a shareholder to use his or her best judgment as to whether the transactions are informed and whether their provisions are equitable to the company. This also increases accountability of directors and management.

10.2 Disclosure Requirements in Annual Reports and Financial Statements

According to the provision of Companies Act, 2013, there are certain types of related party transactions, which are to be reported in the report of the Board of Directors in the form of explanation under Section 188(2). Additionally, companies are directed to adhere with applicable accounting standards with regards to related party disclosures[15]. In accordance with Ind AS 24, if applicable, the associated party relationship disclosures, transactions and outstanding balances should be disclosed as well as disclosures in relation to commitments to outstanding transactions.

These disclosures are useful to an investor because they enable the investor to gain insight into the nature of a company's financial relationship with other entities. Further, the framework by SEBI prescribes disclosure of related party transactions, with stock exchanges and the company's website, for listed entities.

10.3 Approval and Reporting of Related Party Transactions

Approval requirements exist to help prevent transactions being rejected if they are not approved first. The Board of Directors and the Audit Committee shall review the nature of the related transaction(s) and the purpose and terms of the related transaction(s). If approval of the shareholders is required, then the company should ensure that they are well informed to make their decision[16].

[14] Efunniyi CP, Abhulimen AO, Obiki-Osafiele AN, Osundare OS, Agu EE, Adeniran IA. Strengthening corporate governance and financial compliance: Enhancing accountability and transparency. Finance & Accounting Research Journal. 2024 Aug;6(8):1597-616.

[15] Janning F, Khlif W, Ingley C. Transparency is (full) disclosure in corporate governance. InThe illusion of transparency in corporate governance: Does transparency help or hinder true ethical conduct? 2020 Jan 30 (pp. 57-82). Cham: Springer International Publishing.

[16] Berglöf E, Pajuste A. What do firms disclose and why? Enforcing corporate governance and transparency in Central and Eastern Europe. Oxford Review of Economic Policy. 2005 Jul 1;21(2):178-97.

Reporting is also a means of maintaining a history of the transaction and the supporting arguments. An incomplete report could be misleading as it doesn't help shareholders recognize potentially unfair or prejudicial transactions.

10.4 Transparency in Material Related Party Transactions

Material related party transactions are significant as they can affect the financial position of the company and the interests of the shareholders and as such need particular attention. SEBI (LODR) Regulations are mandates the shareholder approval for material RPT subject to provisions and exemptions for RPT in that regard.

Pre 2025, materiality was defined on the basis of the turnover of listed companies. После 2025, the definition of materiality will be based on the consolidated turnover of a listed company[17]. Companies are in turn required to keep an eye on transactional activity on an ongoing basis, as well as at a year end. It is essential that critical information, including transaction value, related party, commercial justification and approval status be provided in a clear manner for meaningful analysis.

10.5 Impact of Inadequate Disclosure on Corporate Accountability

Lack of disclosure is a shortcoming in strengthening shrinking the accountability of the companies by limiting stakeholders' access to the information of transactions. It might cover up conflicts of interest, allows preferential treatment and does not support investor confidence. Can also distort financial statements and create regulatory risk and conflict. Therefore, disclosure must not be seen as a 'formality' but must be regarded as an integral part of the process of responsible business management.

11. ROLE OF THE BOARD, AUDIT COMMITTEE AND SHAREHOLDERS

11.1 Responsibilities of the Board of Directors

The Board of Directors is the body to oversee the affairs of the corporation and make decisions in the corporation's best interest. Regarding RPTs the Board is required to consider the

[17] Platt AI. Beyond" market transparency": investor disclosure and corporate governance. Stan. L. Rev.. 2022;74:1393.

commercial justification, legality and consistency with company's interests of the proposed transaction. It should also be responsible for getting the requisite approvals and disclosures.

11.2 Role of Independent Directors

Independent directors are expected to supervise decisions in an impartial manner and ensure that the decisions are not dominated by the promoters or the controlling shareholders. This independence is even more crucial in transactions with entities that are associated with the directors or promoters[18]. Before being involved in decisions regarding approval, they should take care to review the terms and cost of each transaction, its mission and the potential conflicts that may arise.

11.3 Functions of the Audit Committee

The Audit Committee is a crucial monitoring committee as per Section 177 of the Companies Act and Regulation 23 of the SEBI (LODR) Regulations. It analyzes related party transactions, assesses their marketplace rationale, and looks at the proposed terms and determines whether they are fair. Its approval procedure should be backed up by adequate information, proper documentation and impartial assessment. While omnibus may be allowed in certain instances, it is not meant to obviate proper consideration.

11.4 Shareholder Approval and Protection of Minority Shareholders

In addition to that, shareholder approval is an additional protection against any kind of existing stashing or other acts of bad faith. In related party transactions, restricting the participation of the voting rights in the votes is aimed at ensuring that the transactions can't be approved by interested parties to be of advantage to them and at the other company's expense[19]. Prospective transactions requires a reasonable time and ability for minority shareholders to analyse.

11.5 Corporate Accountability and Internal Control Mechanisms

Companies must have proper internal controls to detect related party transactions and monitor

[18] Alghizzawi M, Megdadi Y, Abushareah M, Alzeaideen K, Binsaddig R. Transparency and disclosure issues in the corporate governance system in developing countries, Jordan case study: previous studies. InBusiness Analytical Capabilities and Artificial Intelligence-Enabled Analytics: Applications and Challenges in the Digital Era, Volume 1 2024 Jun 2 (pp. 93-105). Cham: Springer Nature Switzerland.

[19] Torchia M, Calabro A. Board of directors and financial transparency and disclosure. Evidence from Italy. Corporate Governance. 2016 Jun 6;16(3):593-608.

these transactions, at least during the fiscal year. Unauthorized arrangements can be prevented through internal audit systems, keeping of accurate registers and conflict of interest disclosures and providing regular reporting. These mechanisms increase compliance and increase the quality of the information provided.

12. JUDICIAL APPROACH AND CORPORATE GOVERNANCE CONCERNS

Indian courts have acknowledged the duties of the directors, as fiduciary duty, and placed a premium on safeguarding the shareholders against the misuse of the powers of the corporation. The below decisions cover the conflict of interest principle and disclosure and protections of minority shareholders, though not all are section 188 specific.

The Supreme Court in Dale & Carrington Investment (P) Ltd V. P.K. Prathapan(2005) 1 SCC 212 explained, the duty of directors was a fiduciary in nature, and has to be exercised in good faith to serve objectives of the Company[20]. The Court acknowledged that directors have duties that they should not be using their powers for personal profit. The corporate attitudes which underpinned this decision focus on honesty and correct purpose and disclosure in corporate decision making, as it is relevant to related party transactions.

The Supreme Court analysed the concepts of oppression of the minority shareholders in Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd, (1981) 3 SCC 333. It defined "burdensome, harsh and wrongful" behaviour by oppressive conduct, and that the absence of fair dealing may be relevant in judging the conduct of company affairs. The following principles are significant when related party transactions are performed in such a way as to act in a way that disadvantages minority shareholders[21].

In Tata Consultancy Services Ltd. v. Cyrus Investments (P) Ltd. (2021) 9 SCC 449, the Supreme Court, while examining Company Law Tribunal cases, shed light on the interpretation of relief granted under the provisions of Sections 241 and 242 of the Companies Act, 2013[22]. The judgment has come with a distinction between 'annoyance' and 'oppression' or 'prejudice': a situation of disagreement within a company is not automatically oppressive or prejudicial,

[20] Dale & Carrington Investment (P) Ltd V. P.K. Prathapan(2005) 1 SCC 212
[21] Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd, (1981) 3 SCC 333
[22] Tata Consultancy Services Ltd. v. Cyrus Investments (P) Ltd. (2021) 9 SCC 449

and an isolated or individual decision is not necessarily oppressive to a company. It is important to bear in mind the statutory requirements in each case will depend on the facts of that case.

These decisions highlight that the analysis of a corporate transaction must also extend beyond its legal formalities to the context of the directors' duties and the concepts of fair dealing and protecting the interests of the shareholder.

13. CHALLENGES AND GAPS IN THE EXISTING LEGAL FRAMEWORK

Though several regulatory and statutory provisions seek to protect the interest of the investors, there are a number of challenges to the regulation of related party transactions in India. The first, of course, is a more complex structure of companies may make it hard to detect indirect relationships and beneficial control. The visibility of the ultimate beneficiary may be diminished due to transactions involving more than one subsidiary or associated entity.

Second, the transparency of disclosure could be adequate, however too imprecise for shareholders to make a meaningful sense of the business purpose or fairness of a transaction[23]. Third, the presence of controlling shareholders may have a significant effect on corporate decision-making, which can make the independent oversight function ineffective. Professional expertise and independence in practice, as well as access to accurate information, are other factors that affect the performance of audit committees.

One issue is identifying the transactions and the resulting cumulative trend over the financial year, and this becomes complicated if a number of entities operate within a financial group. Minority shareholders are also underprivileged in terms of their ability and information to object to suspicious transactions. Last but by no means least, timely detection and consistent action have to follow to ensure regulatory compliance. Such concerns show the degree of effectiveness of a legal framework is not simply reliant on the presence of the statutory provisions but within implementation and enforcement.

14. SUGGESTIONS AND RECOMMENDATIONS

High level independent Audit Committee supervision of and increased disclosure of the commercial purpose, pricing and financial impact of related party transactions, can improve

[23] Hassouna D, Ouda H, Hussainey K. Transparency and disclosure as a corporate governance mechanism and corporate performance: Egypt's case. Corporate Ownership and Control. 2017 Jul 3;14(4):182-95.

the effectiveness of the Indian framework. Businesses need to have current databases of "related persons" and "beneficial owners" that will help them determine if there are any indirect relationships. Either before or after approving a transaction, independent directors should be informed of sufficient information. The incidence of poor disclosure and approval by the board of directors should be closely monitored by SEBI and other competent authorities with consistent enforcement of regulations. Explicit statements should be provided and informative chances given for participation in the voting for minority shareholders. Digital reporting systems may also help in the identification, monitoring and verification of related party transactions.

15. CONCLUSION

Corporate operations come with problems related with related party transactions, which can cause conflict of interests and impact on the minority shareholders, if they misused them. The safeguards in the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015 are disclosure requirements, approval processes and monitoring. But that is not enough when it comes to implementation to move towards transparency and accountability. Independent audit committees, directors' roles and duties, proper disclosures and stringent regulatory oversight may help to avoid abusive transactions. Enhancing these mechanisms will ensure the interests of the shareholders and boost their trust and ethics in the business. In summary, transparency of related parties transactions is essential with an effective corporate governance for the sustainable development of a company's growth.

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16. Berglöf E, Pajuste A. What do firms disclose and why? Enforcing corporate governance and transparency in Central and Eastern Europe. Oxford Review of Economic Policy. 2005 Jul 1;21(2):178-97.

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21. Needle Industries (India) Ltd. v. Needle Industries Newey (India) Holding Ltd, (1981) 3 SCC 333

22. Tata Consultancy Services Ltd. v. Cyrus Investments (P) Ltd. (2021) 9 SCC 449

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