



The Indian Journal for Research in Law and Management

Open Access Law Journal – Copyright © 2026

Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Non-Commercial-Share Alike 4.0 International (CC-BY-NC-SA 4.0) License, which permits unrestricted non-commercial use, distribution, and reproduction in any medium provided the original work is properly cited.

CORPORATE GOVERNANCE IN INDIA: SEBI REGULATIONS AND THEIR EFFECTIVENESS

*Anchal Beetan*¹

INTRODUCTION

Corporate Governance has become one of the most significant pillars of modern corporate law and financial regulation in India. It refers to the system by which companies are directed and controlled.² According to the World Bank, Corporate governance is the relationship between a company's management, board of directors, shareholders, and other stakeholders. In India, corporate governance has gained considerable importance due to globalization, the expansion of capital markets post-economic reforms of 1991, and the growth of the securities market.

The need for strong corporate governance became evident after major corporate scandals, which exposed serious weaknesses in the system. Subsequently, SEBI introduced various reforms aimed at improving corporate governance and ensuring ethical corporate conduct. This blog examines the evolution of corporate governance in India, important SEBI regulations related to corporate governance, their effectiveness, and existing challenges in the Indian legal system.

MEANING OF CORPORATE GOVERNANCE

The word 'Corporate' means business or company, and 'governance' refers to the framework an institution, business, or other organization uses to operate. Corporate governance refers to the way in which a company is governed or operated. In essence, corporate governance is a framework of rules, regulations, practices, and processes through which companies are controlled and directed. Corporate governance essentially involves balancing the interests of a

¹ LL.M. Scholar, Department of Laws, Himachal Pradesh University, Shimla, and an Advocate practicing before the High Court of Himachal Pradesh, Shimla.

² The Committee on the Financial Aspects of Corporate Governance and Gee and Co. Ltd., *The Financial Aspects of Corporate Governance*, 1992, Gee, at 12 (UK).

company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community.

Catherwood defines “Corporate governance means that company managers its business in a manner that is accountable and responsible to the shareholders. In a wider interpretation, corporate governance includes company’s accountability to shareholders and other stakeholders such as employees, suppliers, customers and local community.”

Monks and Minow describes Corporate Governance as a ‘tripod’ with three dimensions namely shareholders, management and board of directors.

World Bank views Corporate Governance from two perspectives. From the standpoint of a corporation, the emphasis is on the relations between the owners, management, boards and other stakeholders. From a public policy perspective, corporate governance refers to providing for the survival, growth and development of the company, and at the same time, its accountability in the exercise of power and control over companies.

The Organization of Economic Cooperation and Development (OECD), "Corporate governance specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance."

EVOLUTION OF CORPORATE GOVERNANCE FRAMEWORK IN INDIA

The idea of corporate governance has been around for a long time, ever since companies became separate entities from their owners. However, it wasn't until the late 20th century that the term really started to gain attention worldwide, as big corporations and financial markets began to grow. In India, things were different before 1991. The country's corporate governance was weak back then, mainly because family-owned businesses dominated the market, and the government had too much control over everything under the License Raj. The existing legal provisions provided poor protection to the shareholders, and there were no proper disclosure norms. The primary legislation was the Companies Act, 1956, which provided only basic governance standards.³

³ P. Godhawari, *A Study on Evolution of Corporate Governance in India - A Legal Perspective*, 5 Indian Journal of Legal Review, 955, 956 (2025).

After economic liberalization during 1990s, India witnessed rapid industrial growth and globalization, and the need for transparent governance became a necessity. The Confederation of Indian Industry introduced India's first voluntary corporate governance code, the Confederation of Indian Industry Code, 1998. It covered provisions relating to independent directors, Audit committees, accountability of the board, and the like.⁴

In 1999, SEBI constituted the Kumar Mangalam Birla Committee to improve governance standards for listed companies. The recommendations of the Committee led to the introduction of Clause 49 of the Listing Agreement in 2000. Clause 49 dealt with corporate governance, which involved important provisions relating to Mandatory independent directors, Audit committees, CEO/CFO certification, Disclosure obligations, and Risk management norms. Companies also had to be more open about what they were doing and put rules in place to manage risks. All these changes were aimed at making companies more accountable and trustworthy.⁵

Later committees, such as the Naresh Chandra Committee (2002) and Narayana Murthy Committee (2003), further strengthened governance standards through recommendations relating to auditor independence, whistleblower mechanisms, and related-party transactions.⁶

In the years that followed, several major corporate frauds came to light, highlighting significant weaknesses in the systems that were supposed to prevent them. One notable example is the Harshad Mehta Scam, 1992, because it revealed deficiencies in Banking supervision, as banks and markets weren't being watched closely enough, and the investors weren't being protected as they should have been. Then, in 2009, the Satyam Computer Services Accounting Scandal exposed accounting fraud, manipulation of financial statements, and failure on the part of the board of directors. These incidents had a huge impact on the way companies are regulated in India, and they led to some important changes in the Companies Act of 2013 and the rules & regulations set by the Securities and Exchange Board of India. These changes were meant to help prevent similar scandals from happening in the future.⁷

SEBI REGULATIONS ON CORPORATE GOVERNANCE

The following are some important SEBI Regulations relating to Corporate Governance: -

⁴Manoj Singh and Mathew John, *Evolution and Emerging Trends in Corporate Governance in India*, 7 National Journal of Research in Higher Studies, 1, 3 (2024).

⁵ *Id.* at 4.

⁶ *Id.* at 5.

⁷ *Id.*

SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

The principal framework governing corporate governance in India is contained in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Some important provisions are: -

- 1. Composition of Board of Directors (Regulation 17):** Regulation 17 prescribes the composition and functioning of the Board of Directors of listed companies. The regulation requires an optimum combination of executive and non-executive directors, with at least one woman director on the board. Where the chairperson is a non-executive director, at least one-third of the board must comprise independent directors. If the chairperson is an executive director or related to promoters, at least half of the board must consist of independent directors. The regulation aims to ensure balanced decision-making, accountability, and effective corporate oversight.⁸
- 2. Appointment of Independent Directors (Regulation 17 and Section 149 of the Companies Act, 2013):** Regulation 17 of the SEBI (LODR) Regulations, read with Section 149 of the Companies Act, 2013, mandates the appointment of independent directors in listed companies. Independent directors are expected to provide unbiased judgment and safeguard the interests of minority shareholders. They must not have any material or pecuniary relationship with the company that could affect their independence. Their role includes ensuring transparency, monitoring management decisions, and strengthening corporate governance standards.⁹
- 3. Formation of Audit Committee (Regulation 18):** Regulation 18 requires every listed company to constitute an Audit Committee. The committee must consist of a minimum of three directors, with two-thirds being independent directors. The chairperson of the committee must also be an independent director. The Audit Committee oversees financial reporting, internal audits, statutory audits, related-party transactions, and internal control systems. It plays a crucial role in ensuring financial transparency and preventing accounting frauds.¹⁰
- 4. Nomination and Remuneration Committee (Regulation 19):** Regulation 19 mandates the constitution of a Nomination and Remuneration Committee comprising at least three

⁸ The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Gazette of India., pt. II sec. 3(i) (Sep. 2, 2015).

⁹ *Id.*

¹⁰ *Id.* Reg. 18.

non-executive directors, with at least half being independent directors. The committee identifies qualified individuals for appointments as directors or senior management personnel and recommends remuneration policies. The NRC ensures that compensation structures are fair, transparent, performance-based, and aligned with the company's long-term objectives.¹¹

5. **Stakeholders Relationship Committee (Regulation 20):** Regulation 20 requires listed companies to establish a Stakeholders Relationship Committee to address grievances of shareholders and other security holders. The committee investigates issues such as transfer of shares, non-receipt of annual reports, dividend-related complaints, and other investor grievances. Its objective is to strengthen investor confidence and ensure efficient redressal mechanisms for stakeholders.¹²
6. **Risk Management Committee (Regulation 21):** Regulation 21 provides for the constitution of a Risk Management Committee for the top listed entities based on market capitalization. The committee is responsible for formulating and monitoring the company's risk management framework. It identifies financial, operational, legal, cybersecurity, and strategic risks faced by the organization and recommends mitigation measures. This regulation promotes proactive governance and business sustainability.¹³
7. **Related Party Transaction Disclosures (Regulation 23):** Regulation 23 governs Related Party Transactions and requires listed companies to disclose all material related-party transactions. Such transactions must receive prior approval from the Audit Committee and, in certain cases, approval from shareholders. Related-party transactions often raise concerns regarding conflict of interest and misuse of corporate resources. Therefore, the regulation aims to ensure fairness, transparency, and protection of minority shareholders.¹⁴
8. **Quarterly financial disclosures (Regulation 33):** Regulation 33 mandates listed companies to submit quarterly and annual financial results to stock exchanges within the prescribed time. The financial statements must be approved by the board of directors and reviewed by auditors. This regulation ensures timely disclosure of financial information, enhances market transparency, and enables investors to make informed decisions.¹⁵
9. **CEO/CFO Certification (Regulation 17(8)):** Regulation 17(8) requires the CEO and CFO of listed entities to certify the accuracy and completeness of financial statements and

¹¹ *Id.* Reg. 19.

¹² *Id.* Reg. 20.

¹³ *Id.* Reg. 21.

¹⁴ *Id.* Reg. 23.

¹⁵ *Id.* Reg. 33.

internal control systems. They must confirm that financial statements do not contain misleading information and fairly present the company's affairs. This certification increases managerial accountability and strengthens investor trust in corporate disclosures.¹⁶

10. **Vigil Mechanism and Whistle blower policy (Regulation 22):** Regulation 22 mandates the establishment of a vigil mechanism or whistleblower policy for directors and employees to report unethical conduct, fraud, or violations of company policies. The mechanism must provide adequate safeguards against victimization of whistleblowers and ensure direct access to the Audit Committee in appropriate cases. This regulation promotes ethical corporate culture, transparency, and early detection of misconduct within organizations.¹⁷

SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018

These regulate the process through which companies raise capital from the public through Initial Public Offerings, rights issues, and other securities offerings. These regulations are important for corporate governance because they require companies to disclose accurate and complete information regarding their financial position, business activities, risks, and use of funds.¹⁸

The ICDR Regulations ensure transparency in fundraising activities and help investors make informed decisions. They also impose responsibilities on companies, promoters, and merchant bankers to maintain honesty and fairness during the issue process. By doing this, the rules help make sure that companies in India are run in a good and honest way, which is good for everyone. This is especially important for investors who want to know what they're getting into. The rules help keep everything transparent, so investors can trust that they're making a good choice.¹⁹

SEBI (Prohibition of Insider Trading) Regulations, 2015

The SEBI (Prohibition of Insider Trading) Regulations, 2015 play an important role in strengthening corporate governance by preventing unfair trading practices in the securities market. Insider trading occurs when company insiders such as directors, promoters, or

¹⁶ *Id.* Reg. 17(8).

¹⁷ *Id.* Reg. 22.

¹⁸ The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, Gazette of India, pt. III sec. 4, (Sep. 11, 2018).

¹⁹ *Id.*

employees, use confidential information that is not available to the public to gain personal profit through trading in securities.²⁰

These regulations ensure everything is fair and out in the open, so nobody can take advantage of secret information that could affect stock prices. Companies that are listed on the stock exchange must follow certain guidelines, like having their own internal code of conduct, regulate trading by designated persons, and make timely disclosures. This helps keep investors feeling safe and confident, and it encourages companies to do the right thing, which is a big part of being responsible for businesses. By doing this, companies can show that they are committed to being honest and transparent, and that they care about their investors and the public. This is very important for maintaining trust in the market and making sure that everyone has an equal chance of succeeding.²¹

SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011

The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, commonly known as the Takeover Code, are important for ensuring transparency and fairness in acquisitions and takeovers of listed companies. These regulations require any person or entity acquiring substantial shares or control in a company to disclose such acquisitions and provide an open offer to public shareholders.²²

The regulations protect minority shareholders by allowing them to leave the company if someone new takes over. They also stop people from buying the company in secret and misusing their power. By making sure everything is out in the open and treating all shareholders fairly, these rules make companies more responsible and improve the way they are run in India. This is important because it helps to build trust and makes sure that everyone is treated equally. The goal is to have good corporate governance, which means companies are run fairly and honestly. This helps to protect the interests of all shareholders, not just the ones with the most power.²³

EFFECTIVENESS OF SEBI REGULATIONS

²⁰ The SEBI (Prohibition of Insider Trading) Regulations, 2015, Gazette of India, pt. III sec. 4, (Jan. 15, 2015).

²¹ *Id.*

²² The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Gazette of India, pt. III sec. 4, (Sep. 23, 2011).

²³ *Id.*

SEBI regulations helped make things more transparent for companies in India. Now, listed companies must share their financial reports, any related-party deals, who own their shares, and any material developments with the stock exchanges regularly. This ensures that the people running the company and the investors have the same information, so investors can make smart choices. Also, the CEO and CFO must sign off on the financial reports and confirm that the company's internal controls are working properly. This makes them more accountable. As a result, investors now have better access to reliable information about companies.²⁴

SEBI reforms mandated independent directors on their boards. These directors are supposed to be unbiased and look out for the interests of all shareholders. They've also made sure that companies have special committees, like an audit committee, a nomination and remuneration committee, and a risk management committee. Having at least one woman on the board has also helped to make sure that there are different perspectives and ideas being considered. All these changes have helped to make sure that companies are run fairly and responsibly, and that shareholders are being protected. This helps to prevent problems and scandals, and it makes sure that companies are being run in a way that's good for everyone involved.²⁵

Another important achievement of SEBI regulations is the protection provided to minority shareholders. Regulations relating to related-party transactions, takeover disclosures, and mandatory open offers ensure fairness and transparency in corporate transactions. Shareholders are allowed to exist when substantial acquisitions or changes in control occur under the SEBI Takeover Code. Similarly, approval requirements for material related-party transactions help prevent misuse of company resources and conflicts of interest by promoters. These measures have strengthened investor confidence and promoted fair treatment of shareholders.²⁶

The SEBI (Prohibition of Insider Trading) Regulations, 2015 have also contributed significantly toward preventing unfair trading practices in the securities market. The regulations prohibit insiders from trading based on unpublished price-sensitive information and require companies to establish internal codes of conduct and compliance systems. Companies must also maintain structured digital databases and monitor trading activities of designated persons. These measures help ensure that everyone has the same access to information and that the market is fair and transparent.²⁷

²⁴ Anil Kumar, *Corporate Governance Theory and Practice*, 69 (1st ed. 2025)

²⁵ The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Gazette of India., pt. III sec. 4, Reg. 17 (Sep. 2, 2015).

²⁶ The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, Gazette of India, pt. III sec. 4, (Sep. 23, 2011).

²⁷ The SEBI (Prohibition of Insider Trading) Regulations, 2015, Gazette of India, pt. III sec. 4, (Jan. 15, 2015).

India's corporate governance standards have become more in line with what's considered best practice around the world. These reforms emphasized whistleblower policies, managing risks, being more transparent, and making sure boards are independent. This is all in line with what the OECD's principles of good corporate governance. By making these changes, India has attracted investors to the country's capital markets. Overall, these reforms have been a big step forward for India's corporate sector and are helping to build trust and confidence in the country's businesses.²⁸

Despite these achievements, several challenges continue to affect the effectiveness of corporate governance regulations in India. Many companies still treat governance merely as a legal formality and comply only with procedural requirements rather than following the true spirit of ethical management. Independent directors are sometimes appointed symbolically and may lack actual independence from promoters. Additionally, promoter dominance and concentrated ownership structures continue to weaken board independence and affect minority shareholder rights. Weak enforcement and delays in investigations and adjudication also reduce the deterrent effect of SEBI regulations. Recent governance failures in companies such as IL&FS and Yes Bank demonstrate that governance gaps still exist despite extensive regulations.

Therefore, effective corporate governance requires not only strong laws but also ethical leadership and genuine commitment from corporate management. Legal compliance alone cannot ensure good governance unless directors and senior executives act with honesty and accountability. Corporate leaders play a crucial role in setting ethical standards within an organization and ensuring that business decisions are made in the interests of shareholders and stakeholders rather than for personal gain. Independent directors, audit committees, and internal control systems must function effectively in practice and not merely exist to satisfy legal requirements.

To make sure companies are held accountable and stop them from doing wrong, it's important to enforce governance rules strictly. When investigations and decisions take too long, it makes the rules set by SEBI less effective and the penalties less of a deterrent. Companies need to make sure everyone in the organization, from top to bottom, is transparent, acts with integrity, and makes responsible decisions. Having a system in place that protects and encourages whistleblowers, along with strong oversight and active participation from shareholders, can make governance even better. So, for corporate governance to work well in India, it's not just

²⁸ *Id.*

about changing the rules, but also about creating a culture of ethics within companies and making sure the laws are enforced effectively.

CONCLUSION

The reforms introduced by SEBI Regulations and the Companies Act, 2013 have greatly improved corporate governance in India. Regulations relating to disclosures, independent directors, board committees, insider trading, and shareholder protection have increased transparency, accountability, and investor confidence in the corporate sector. These measures have also helped Indian companies align with international standards of governance and strengthened the overall functioning of capital markets.

However, challenges such as promoter dominance, weak enforcement, delayed investigations, and symbolic compliance continue to affect the effectiveness of corporate governance in India. Good corporate governance cannot be achieved only through laws and regulations; it also requires ethical leadership, responsible management, and a strong culture of accountability within companies. Therefore, the future of corporate governance in India will depend not only on stronger legal reforms but also on their proper implementation and genuine commitment to ethical business practices.