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CORPORATE GOVERNANCE OR CORPORATE THEATER? A Critical Appraisal of Board Independence and Minority Shareholder Protections under the Companies Act 2013

ASHMITA D

Ashmita30122004@gmail.com

Abstract

The Companies Act 2013 represented a landmark overhaul of Indian corporate law, purportedly transplanting global best practices in corporate governance onto a domestic legal landscape long dominated by promoter-controlled enterprises. This paper critically examines whether the Act's headline reforms mandatory independent directors, audit and nomination committees, related party transaction rules, and minority shareholder remedies constitute genuine structural transformation or whether they amount to little more than governance theatre: elaborate compliance rituals that satisfy formal criteria while leaving the underlying architecture of promoter dominance intact. Drawing upon legislative text, judicial decisions, SEBI regulations, empirical studies, and comparative jurisprudence from the United Kingdom, the United States, and Singapore, the paper argues that structural pathologies endemic to Indian listed companies concentrated ownership, interlocking directorates, family dominated boards, and enfeebled institutional investors systematically undermine the protective capacity of facially progressive statutory provisions. While the Act introduced significant procedural advancements, meaningful governance accountability will remain elusive absent deeper reforms *targeting independence criteria, enforcement mechanisms, and the structural preconditions of effective minority voice.*

Keywords: Companies Act 2013, Corporate Governance, Board Independence, Minority Shareholders, Independent Directors, Related Party Transactions, Promoter Control, SEBI, Enforcement

I. Introduction:

The Governance Promise and Its Discontents Corporate governance sits at the intersection of law, economics, and politics. At its normative core lies a deceptively simple aspiration: that those who manage corporations should be accountable to those who own and are affected by them. The institutional architecture constructed to realize this aspiration boards of directors, audit committees, disclosure requirements, shareholder remedies varies across jurisdictions, but a broadly convergent orthodoxy has emerged since the seminal Cadbury Report of 1992: boards should be led by independent directors capable of checking managerial opportunism, and minority shareholders should have meaningful legal recourse against extraction by controlling interests.

India's Companies Act 2013 (hereinafter 'the Act') was enacted against this backdrop of convergence. The legislative process was animated by a dual crisis of confidence: the spectacular collapse of Satyam Computer Services in 2009 India's most egregious corporate fraud in the modern era and mounting international criticism of governance standards in Indian listed companies as the economy sought deeper integration with global capital markets. The Act replaced the archaic Companies Act 1956, expanding its ambit to embrace mandatory independent director requirements, structured board committees, robust related party transaction (RPT) oversight, and a substantially expanded minority shareholder protection regime including class action remedies and an empowered National Company Law Tribunal (NCLT).

Yet the durability of India's promoter-controlled corporate culture poses a persistent challenge to these textual improvements. Unlike the dispersed ownership model prevalent in Anglo American corporations, the dominant Indian listed company features a concentrated family or institutional promoter holding a majority or significant minority stake, exercising de facto control over board composition, strategic decisions, and dividend policy. In this structural environment, the question of whether governance reforms achieve substantive accountability or merely perform compliance whether the Act delivers governance or theatre is not merely academic. It directly bears upon the welfare of millions of retail and institutional minority shareholders, the integrity of Indian capital markets, and the quality of corporate decision-making in an economy of continental scale.

This paper proceeds in six parts. Part II examines the Act's board independence requirements, analyzing the legal definition of independence, empirical patterns in director appointments, and structural constraints that limit director efficacy. Part III evaluates the regime of board committees audit, nomination and remuneration, and stakeholder relationship committees assessing their design and operational effectiveness. Part IV analyses the related party transaction framework as a critical site of minority protection. Part V surveys the minority shareholder remedies introduced or strengthened by the Act, including oppression and mismanagement proceedings, class action suits, and the NCLT's expanded jurisdiction. Part VI offers a comparative perspective and conclusions, arguing for a reform agenda grounded in structural realism rather than aspirational formalism.

II. Board Independence:

2.1 The Statutory Framework

Section 149 of the Companies Act 2013 mandates that every listed public company and certain categories of unlisted public company must have at least one-third of its total directors as independent directors. For listed companies, this requirement is reinforced by Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (the LODR Regulations), which prescribes a minimum of six directors with at least one-third being independent, and further requires that where the chairperson is nonexecutive, independent directors must constitute at least one third of the board, while where the chairperson is executive or a promoter, they must constitute at least one half.

Section 149(6) defines an independent director through a combination of positive and negative criteria. Positively, an independent director must be a person of integrity with relevant expertise and experience. Negatively and in practice, more operationally significant an independent director must not have been, during the preceding three years, a promoter or related party of the company; must not have had material pecuniary relationship with the company; must not have relatives who are key managerial personnel; must not have been an employee or partner of the auditors; and must satisfy a range of other disqualifications designed to preclude relationships that might compromise judgment.

Schedule IV to the Act further specifies a Code for Independent Directors, setting out their role and duties. Independent directors are charged with safeguarding the interests of all stakeholders, particularly minority shareholders; balancing conflicting interests; scrutinizing management performance; and reporting concerns about unethical conduct to the board.

2.2 The Independence Illusion: Structural and Empirical Critiques

The statutory definition of independence is fundamentally relational and negative: it identifies independence by the absence of specified disqualifying connections rather than by the presence of psychological or structural conditions conducive to genuinely independent judgment. This approach, common across jurisdictions, has been critiqued as necessary but not sufficient. A director may satisfy every statutory criterion while remaining deferential to the promoter who effectively nominated them.

The problem of nomination is structurally fundamental. In India's promoter-controlled companies, the effective power to identify, recommend, and support nominees for the board including nominally independent directors rests with the promoter. While the Nomination and Remuneration Committee (NRC) is formally tasked with director nominations, it is itself constituted from the existing board membership and its independence is thus circular. Empirical research has consistently documented the prevalence of what scholars term 'friendly independents': individuals selected for their social proximity, ideological alignment, or professional dependency upon the promoter family rather than their capacity for autonomous oversight.

A landmark study by the Indian School of Business examining board composition in BSE 500 companies found that a substantial proportion of independent directors had prior professional, educational, or social connections with promoter families that fell outside the statutory disqualification criteria but might reasonably compromise independence in fact. The study noted the prevalence of 'busy directors' holding multiple board seats, reducing their capacity for meaningful engagement with any single company's affairs, and documented significant clustering of independent directorships within elite professional and social networks precisely the networks in which promoter families are also embedded.

The tenure problem compounds these structural deficiencies. Prior to the 2013 Act, there were no mandatory limits on independent director tenure, enabling decades-long continuances that inevitably eroded the psychological distance between director and management. The Act addressed this by limiting independent director tenure to two consecutive terms of five years each, with a mandatory cooling-off period of three years before re-appointment. While conceptually sound, this reform created transition pressures and raised concerns about institutional knowledge loss without addressing the underlying nomination dynamic that determines the quality of replacements.

2.3 The Liability Paradox

A paradox has emerged in the operation of independent director duties under the Act. Section 166 imposes fiduciary duties on all directors, including independent directors, creating potential personal liability for acts of the company in which they participated. The Indian judiciary and regulatory authorities, particularly the Securities and Exchange Board of India (SEBI), have in several high-profile enforcement actions held independent directors liable alongside executive directors for corporate fraud and misstatements in prospectuses.

The most significant consequence of this liability exposure has been the deterrence of qualified candidates from accepting independent directorships, particularly in companies with complex governance histories or concentrated promoter holdings. The Bombay Stock Exchange and National Stock Exchange alike have documented a pattern of resignations by independent directors in companies subject to regulatory scrutiny resignations that paradoxically occur at precisely the moment when independent oversight is most needed. The chilling effect of expansive liability, absent commensurate enhancement of director information rights, indemnification frameworks, and regulatory safe harbours, risks producing a class of independent directors who are simultaneously formally responsible for governance failures they lacked the structural power to prevent.

III. Board Committees:

3.1 The Audit Committee

Section 177 of the Act, read with Regulation 18 of the LODR Regulations (Listing Obligations and Disclosure Requirements), mandates an Audit Committee for every listed company and specified unlisted public companies. The Audit Committee must comprise a minimum of three directors, with the majority being independent directors and the chairperson being an independent director. At least one member must have financial management or accounting expertise.

The Audit Committee's statutory functions are broad: overseeing financial reporting, recommending auditor appointment and remuneration, reviewing related party transactions, scrutinizing internal audit reports, investigating financial irregularities, and evaluating internal financial controls. This mandate replicates, in broad strokes, the best-practice model of audit committee governance developed in the United States following the Sarbanes-Oxley Act of 2002 and in the United Kingdom under the Smith Guidance. The transplantation, however, meets familiar structural obstacles. The effectiveness of audit committees depends critically upon the quality and candour of information flowing from management. In companies where the Chief Financial Officer is effectively an appointee of the promoter family, the audit committee's access to accurate and complete financial data is contingent upon promoter cooperation. The Act does not grant audit committee members independent rights to commission investigations or access external advisors at company expense without board approval a structural gap that limits meaningful independence precisely when independence matters most: in circumstances of management-promoter collusion.

The 2019 amendments to SEBI's LODR Regulations strengthened audit committee oversight of related party transactions and subsidiary companies, and required that audit committee members receive all information regarding RPTs in advance of approval. However, the fundamental information asymmetry between independent committee members and the executive-promoter axis has not been structurally resolved.

3.2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC), mandated by Section 178 of the Act, is charged with formulating criteria for director qualifications, identifying persons qualified for directorship, evaluating board performance, and recommending remuneration policy. For listed companies, the NRC must comprise at least three non-executive directors, with not less than one-half being independent.

In theory, the NRC provides a structural buffer between promoter preference and board composition, institutionalizing meritocratic criteria for director selection. In practice, its effectiveness is bounded by the same structural reality that undermines independent director independence: the committee is composed of individuals who owe their own board positions, directly or indirectly, to promoter approval. Empirical analysis of NRC functioning in Indian listed companies has found limited evidence of genuine search processes for independent director candidates, with most appointments effectively ratified nominations by the promoter group.

The remuneration function is equally contested. Section 197 of the Act caps managerial remuneration at eleven percent of net profits, with individual limits for managing and whole time directors, theoretically protecting shareholders from self-dealing on remuneration. Yet the statutory framework permits the company to exceed these limits with shareholder approval, and the related party transaction provisions apply inadequately to promoter executives, creating potential for remuneration structures that extract value from minority shareholders through above-market compensation to promoter family key managerial personnel.

3.3 The Stakeholder Relationship Committee

Section 178(5) requires every company with more than one thousand shareholders, debenture holders, or other security holders to constitute a Stakeholder Relationship Committee to resolve investor grievances. Chaired by a non-executive director, the committee oversees the redressal of shareholder and investor complaints.

The committee's practical significance in protecting minority shareholders is limited by its remedial rather than preventive function. It addresses individual complaints non-receipt of dividends, share transfer delays, account statement discrepancies rather than systemic governance failures. Structural minority exploitation through RPTs, inadequate disclosure, or board capture by promoters falls outside its functional mandate. The committee thus addresses the symptoms of governance failure without the power to address its causes.

IV. Related Party Transactions:

4.1 Statutory Framework and Regulatory Evolution

Related party transactions represent the most economically significant site of potential minority shareholder exploitation in promoter-controlled companies. Section 188 of the Act, reinforced by Regulation 23 of the LODR Regulations, establishes the primary regulatory architecture for RPT oversight.

Section 2(76) defines 'related party' broadly to encompass directors and their relatives, key managerial personnel and their relatives, subsidiaries and associates of the company, and any body corporate in which the director or manager or their relatives hold more than two percent of the total share capital. Section 188 requires board approval and in specified circumstances, shareholder approval by ordinary resolution for contracts or arrangements with related parties involving the sale, purchase, or supply of any goods or materials; selling or otherwise disposing of property; leasing of property; availing or rendering of any services; appointment of related parties to offices; or underwriting of securities. Crucially, the Act requires that no related party shall vote on the special resolution approving the transaction in which they are interested a provision reinforced by SEBI's *Kotak Committee* recommendations which further tightened RPT thresholds and expanded the definition of material RPTs.

The LODR Regulations (Listing Obligations and Disclosure Requirements) define 'material related party transactions' as those exceeding ten percent of the annual consolidated turnover or one thousand crore rupees, whichever is lower, requiring shareholder approval with related parties abstaining. SEBI's 2021 amendments to the LODR Regulations substantially expanded RPT oversight, broadening the definition of related parties to include persons acting in concert, strengthening the audit committee's pre-approval role, and extending the abstention requirement beyond the immediate counterparty to the broader promoter group.

4.2 Enforcement Gaps and Structural Circumvention

Despite this apparently robust framework, the RPT regime has demonstrated significant enforcement vulnerabilities. Several structural pathways allow related party value extraction to Occur outside or at the margins of the formal approval process. First, the statutory framework focuses on individual transaction approval rather than the economic substance of ongoing related party relationships. Promoter groups frequently operate through elaborate webs of subsidiaries, associates, and related private entities with which the listed company has long-term commercial relationships. The cumulative effect of individually approved, commercially reasonableappearing RPTs may be systematic value transfer to the promoter group that no single approval decision would reveal.

Second, the pricing standards applicable to RPTs are inadequately specified. Section 188 requires that RPTs be conducted on an 'arm's length' basis, but the Act does not prescribe valuation methodologies or require independent valuations for non-material RPTs. Audit committees lack the technical capacity and, frequently, the motivation to challenge management's representation that a transaction is at arm's length. The absence of a robust mandatory fair value determination requirement analogous to the stringent standards applicable in Singapore under the SGX Listing Rules or the UK's related party transaction rules under the FCA Listing Rules creates structural space for pricing manipulation.

Third, and most fundamentally, the listed entity's subsidiary companies represent a major governance gap. Many promoter groups structure value extraction through transactions between unlisted subsidiaries which are not subject to the LODR Regulations and related entities. The listed company's minority shareholders bear economic exposure to these subsidiaries through consolidated financial statements but lack direct governance rights over subsidiary-level RPTs. While the 2013 Act and subsequent SEBI amendments have progressively extended audit committee oversight to material subsidiaries, enforcement remains incomplete.

4.3 Judicial Treatment

Indian courts and the NCLT have had occasion to examine RPT related minority shareholder complaints, with mixed results. The oppression and mismanagement jurisdiction under Sections 241-242 of the Act has been invoked to challenge RPTs alleged to constitute oppressive conduct. However, the judiciary has historically applied a deferential business judgment standard to board decisions in commercial matters, requiring claimants to demonstrate not merely that a transaction was disadvantageous to the company but that it constituted conduct burdensome, harsh, and wrongful a standard derived from the English precedent of

Scottish Co-operative Wholesale Society Ltd v. Meyer [1959] AC 324 that was incorporated into Indian company law jurisprudence and has been applied with varying degrees of rigour. Recent NCLT decisions suggest a somewhat more interventionist approach, particularly in cases involving blatant asset stripping through below-market RPTs, but a consistent jurisprudence of RPT liability remains underdeveloped.

V. Minority Shareholder Protections:

5.1 The Oppression and Mismanagement Regime

Sections 241 to 246 of the Companies Act 2013 constitute the primary forum for minority shareholder redress in cases of oppression and mismanagement, replacing the analogous provisions in the 1956 Act with a restructured regime administered by the NCLT. Section 241 permits a member holding not less than one tenth of the issued share capital to apply to the NCLT where the company's affairs are being conducted in a manner prejudicial to public interest or in a manner oppressive or prejudicial to any member or members.

The NCLT's powers under Section 242 are broad and flexible: it may regulate the conduct of the company's affairs in the future require the company to refrain from doing an act or doing it without tribunal consent authorize civil proceedings in the company's name; provide for the purchase of shares by any member; terminate or vary agreements appoint new directors set aside transactions at undervalue or in fraud of shareholders; and wind up the company. This remedial flexibility represents a significant advance over the earlier regime and aligns Indian law broadly with equivalent provisions in the United Kingdom (Part 30 of the Companies Act 2006) and Singapore (Section 216 of the Companies Act 1967).

The practical operation of the oppression jurisdiction has, however, been constrained by procedural delays endemic to Indian commercial litigation, the high threshold of misconduct required for relief, and the complexity of establishing the requisite nexus between impugned transactions and shareholder harm. The NCLT and its appellate authority, the National Company Law Appellate Tribunal (NCLAT), have developed an emerging body of jurisprudence, but the volume of unresolved or long-pending minority shareholder complaints underscores the systemic limitations of individual litigation as a governance mechanism.

5.2 Class Action Suits: An Underutilized Innovation

Section 245 of the Act introduced, for the first time in Indian company law, a statutory class action remedy. Shareholders or depositors meeting specified threshold requirements one hundred members or members representing ten percent of total issued share capital in the case of a company other than a banking company may apply to the NCLT for an order restraining the company from committing an act in breach of the Act or its memorandum and articles, declaring void any resolution altering the memorandum or articles in a fraudulent manner and claiming damages or compensation from the company, its directors, auditors or experts in respect of misleading statements.

Section 245 was characterized, at the time of enactment, as a potentially transformative mechanism enabling dispersed minority shareholders to aggregate claims that would individually be uneconomical to litigate. The comparative inspiration was evident: American securities class actions have, for all their pathologies, generated substantial recoveries for defrauded investors and created meaningful deterrence against corporate fraud. The provision was also informed by the recommendations of the Standing Committee on Finance which examined the Companies Bill, 2011.

In practice, Section 245 has remained almost entirely dormant since its enactment. The structural barriers to its effective utilization are multiple. First, there is no developed plaintiff's bar in India specializing in investor class litigation of the kind that drives American securities fraud class actions.

Second, contingency fee arrangements between advocates and clients are prohibited under the Bar Council of India Rules, eliminating the economic incentive for entrepreneurial litigation. Third, the threshold for class action eligibility one hundred members or ten percent of share capital while apparently low in percentage terms may represent a practically onerous coordination challenge among dispersed retail shareholders who lack the organizational infrastructure for collective action. Fourth, the absence of a pre-trial discovery mechanism equivalent to American civil procedure limits plaintiffs' ability to obtain the documentary evidence of management misconduct necessary to sustain claims before the NCLT.

5.3 Voting Rights, Proxy Access, and Institutional Investors

The protective capacity of formal legal remedies for minority shareholders is ultimately contingent upon the ability of minority shareholders to exercise effective collective voice through the primary governance mechanism of the general meeting. The Act strengthened several aspects of shareholder voting rights: it mandated e-voting facilities for resolutions requiring special majority; strengthened the provisions for postal ballot and created requirements for certain resolutions including related party transactions above thresholds to be passed with the abstention of interested parties.

The critical variable in the exercise of minority voice in Indian listed companies, however, is the behavior of institutional investors. Domestic mutual funds, insurance companies, and foreign portfolio investors collectively hold substantial stakes in most large listed companies and could, in principle, constitute a countervailing power center to promoter dominance.

SEBI's Stewardship Code, issued in 2019 and strengthened in subsequent years, requires institutional investors to engage with investee companies on governance matters and to disclose their voting records.

The empirical evidence on institutional investor behavior in India is sobering. Studies of voting patterns at annual general meetings have documented systematic tendencies among domestic institutional investors particularly those affiliated with public sector entities such as Life Insurance Corporation of India to support management and promoter positions across a wide range of contested resolutions. Foreign portfolio investors have demonstrated somewhat more independent voting behaviour, but their engagement is frequently constrained by the short term nature of their investment horizons and the limited leverage available to minority shareholders in the absence of credible exit threats. The structural dependence of many domestic institutional investors upon continued access to company management for investment purposes creates a conflict of interest that systematically undermines the stewardship model.

5.4 The Role of Proxy Advisory Firms

An important, if imperfect, institutional development in Indian corporate governance has been the emergence of proxy advisory firms Institutional Investor Advisory Services, Stakeholder Empowerment Services , and others that provide independent analysis of shareholder resolutions and governance practices to institutional investors. SEBI has recognized and regulated these entities, requiring registration and disclosure of methodologies.

Proxy advisors have, on specific issues, contributed to governance improvements. Several highprofile resolutions on executive remuneration, director appointments, and RPTs have been defeated or withdrawn following negative recommendations from proxy advisors combined with institutional investor voting in accordance with those recommendations. However, the influence of proxy advisors is structurally limited by the small proportion of institutional investors that actively engage with their recommendations, the limited publicly available information on which recommendations are based, and the fundamental fact that a promoter holding a controlling or near-controlling interest can pass most ordinary resolutions regardless of how minority shareholders vote.

VI. Comparative Perspectives and the Path to Structural Reform

6.1 Lessons from Comparative Governance Regimes

The problems of board independence and minority protection in promoter-controlled companies are not unique to India. Comparative analysis reveals both the structural commonality of the challenge and the diversity of regulatory responses.

Singapore, which shares with India a common law foundation and a significant proportion of listed companies with controlling shareholders, has developed a more structured approach to governance in two-tier ownership structures. The Singapore Code of Corporate Governance 2018 requires that where the board chairperson and chief executive is the same person, or the chairperson is not independent, independent directors should constitute at least half the board. More significantly, Singapore's framework includes provisions for 'independent directors of the minority' mechanisms by which minority shareholders can elect their own board representatives and the Companies Act provides for cumulative voting procedures in director elections that structurally enhance minority representation.

The United Kingdom's approach, embodied in the UK Corporate Governance Code 2018, relies primarily on comply or explain requirements addressed to institutional shareholders as the enforcement mechanism for board independence norms. The effectiveness of this approach in the UK context reflects structural preconditions highly developed institutional investor activism, a functioning stewardship ecosystem, and listed companies with genuinely dispersed ownership that are largely absent in India's promoter dominated market. The transplantation of UKstyle comply or explain governance norms to India, as the Act in part attempts, therefore encounters the fundamental problem that the disciplinary mechanisms that make the framework effective in the UK are not similarly operative in India.

The United States offers an interesting contrast: its governance system combines mandatory rules Sarbanes-Oxley, Dodd-Frank with securities fraud class actions as a private enforcement mechanism. The class action mechanism has demonstrated significant deterrent and compensatory effects in the American context, though its pathologies strike suits, excessive settlements, lawyer driven litigation are well-documented. India's failure to operationalize an equivalent private enforcement mechanism through Section 245 represents a significant gap in the minority protection architecture.

6.2 Structural Reforms: A Research Agenda

The analysis developed in this paper suggests that the failure of the Companies Act 2013 to fully realize its governance aspirations is not primarily a failure of statutory drafting but a failure of structural preconditions. The following reform directions merit serious consideration.

First, the independence criteria under Section 149(6) should be reformed to address the nomination dynamic rather than merely the post appointment relationship. A registry of independent director candidates, maintained by a body analogous to the UK's Financial Reporting Council or Singapore's Council for Board Diversity, with appointment from the registry conditioned on minority shareholder support, would begin to address the structural dependency of independent directors on promoter goodwill.

Second, the class action mechanism under Section 245 must be operationalized through complementary procedural reform. This requires the introduction of a litigation funding framework that enables third-party financing of shareholder claims, a relaxation of fee restriction rules to permit contingency arrangements in securities litigation, and the creation of a specialized investor redress fund capable of pre-financing meritorious claims pending recovery. SEBI's Investor Protection and Education Fund, currently used primarily for investor education, could be repurposed to serve this function.

Third, the regulatory treatment of RPTs requires a transition from transaction-level approval to relationship-level oversight. A mandatory annual related party relationship report disclosing the commercial rationale, pricing basis, independent valuation, and aggregate value of all RPTs with each related party would provide minority shareholders and analysts with information necessary to assess the cumulative governance impact of the company's related party relationships. The requirement of independent valuations for all material RPTs, including intra-group service agreements, should be made statutory rather than merely encouraged through best practice guidance.

Fourth, the institutional investor stewardship framework requires structural strengthening beyond SEBI's current soft-law approach. Mandatory disclosure of voting records already required should be supplemented by requirements that institutional investors explain departures from governance principles on specific resolutions, and that domestic institutional investors affiliated with public sector enterprises establish structural firewalls between their investment activities and their parent entities' commercial relationships with investee companies.

6.3 The Limits of Legal Reform

Any assessment of the transformative potential of legal reform in corporate governance must acknowledge the structural limits of law as an instrument of change. The empirical literature on legal transplants the adoption by one legal system of rules developed in another suggests that institutional reception is determinative of transplant success: rules imported without the supporting institutional infrastructure, professional culture, and enforcement machinery of the originating jurisdiction tend to become formal shells rather than functional realities.

India's governance challenge is, in this sense, irreducibly institutional. The efficacy of independent director requirements depends upon a professional culture of directorial independence that is only gradually developing. The utility of minority shareholder remedies depends upon a judicial system capable of resolving commercial disputes within commercially relevant timeframes. The effectiveness of SEBI's regulatory oversight depends upon enforcement capacity and political insulation that are only partially assured. Legislative reform is a necessary but insufficient condition for governance improvement; the institutional ecosystem within which the law operates must develop in parallel.

VII. Conclusion

This paper has argued that the Companies Act 2013 represents genuine and significant progress in the legal architecture of Indian corporate governance, while falling short of the structural transformation necessary to address the deep pathologies of promoter-controlled corporate culture. The Act's headline innovations mandatory independent directors, structured board committees, strengthened RPT oversight, class action remedies are not mere theatre; they have, in specific instances and on specific issues, contributed to governance improvements and created accountability mechanisms unavailable under the 1956 regime.

But the gap between the Act's formal provisions and their substantive operation is wide and persistent. Independent directors remain structurally dependent on the promoter groups they are charged with monitoring. Audit and nomination committees operate within information environments shaped by management. The RPT framework, though progressively strengthened, has not eliminated the structural pathways through which promoter groups extract value from minority shareholders. Class action remedies remain formally available but practically inaccessible. Institutional investors exercise their collective voice inconsistently and subject to structural conflicts of interest.

The metaphor of governance theatre captures something important about this gap: the elaborate staging of accountability rituals independent director appointments, audit committee meetings, shareholder votes that satisfies formal compliance requirements while leaving the underlying distribution of corporate power largely undisturbed. But the metaphor risks being too dismissive of real, if incomplete, progress. The question is not whether the Companies Act 2013 delivers perfect governance no legal system does but whether it creates a trajectory of improvement capable of being sustained and accelerated through complementary institutional development.

The answer, provisionally, is yes but only if reformers resist the temptation of further formal elaboration without addressing structural preconditions. Adding layers of procedural requirement to a system whose failures are structural and institutional does not improve governance it merely increases compliance costs while deepening the appearance of accountability without its substance. The path forward requires engagement with the harder questions how independent directors are nominated and selected; how institutional investors are structured and incentivized how private enforcement mechanisms can be made to work; how regulatory capacity can be built and insulated from political pressure. These are not primarily questions of legislative drafting. They are questions of institutional design, political economy, and professional culture that law can shape but cannot resolve alone.

Corporate governance in India thus stands at a crossroads between the consolidation of formal legal architecture and the deeper institutional transformation necessary to make that architecture effective. The Companies Act 2013 has done more of the former than the latter. The task of the next generation of reform is to address the imbalance to ensure that the elaborate structures of accountability created by the Act are inhabited by genuine accountability rather than the choreography of its appearance.

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