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Original Article

"The Evolving Landscape of Corporate Governance: Balancing Shareholder Rights and Stakeholder Interests"

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Abstract

This abstract examines the dynamic transformation of corporate governance, a landscape increasingly characterized by the intricate challenge of balancing traditional shareholder primacy with the burgeoning recognition of broader stakeholder interests. Historically, corporate governance frameworks were predominantly aligned with safeguarding shareholder rights, driven by a need to attract investment and ensure capital market integrity. This evolution reflects a move towards a more inclusive model, acknowledging that corporations operate within a complex ecosystem of employees, customers, suppliers, communities, and the environment, all of whom possess legitimate stakes in corporate operations and success.

The journey has been marked by pivotal regulatory interventions, notably by the Securities and Exchange Board of India (SEBI) and amendments to the Companies Act. These reforms have progressively introduced measures aimed at enhancing board accountability, transparency, and the representation of diverse stakeholder concerns. The introduction of concepts such as independent directors, stakeholder relationship committees, and enhanced disclosure norms around Environmental, Social, and Governance (ESG) parameters signify a clear intent to embed stakeholder considerations into the core of corporate decision-making.

However, the transition is not without its complexities. Challenges persist in effectively operationalizing stakeholder engagement, particularly in a context often characterized by promoter-led companies and diverse socio-economic realities. The debate continues the optimal mechanisms to ensure that the pursuit of long-term sustainable value creation for all stakeholders does not unduly compromise legitimate shareholder expectations of returns and influence. This paper explores these evolving dynamics, analyzing the key drivers of change, the efficacy of current regulatory frameworks, and the ongoing efforts to forge a corporate governance paradigm in India that is both globally benchmarked and contextually relevant, ultimately fostering responsible and sustainable business practices.

Key Words: Corporate Governance, Shareholder Rights, Stakeholder Interests, Evolution, ESG (Environmental, Social, Governance), Sustainability

1. Introduction

Corporate governance is an area of business policy that deals with balancing the interests of stakeholders in a corporation. The shareholders, management, customers, suppliers, financiers, government, and the community are all considered stakeholders in any corporation, as depicted in the stakeholder model of corporate governance. They are interested in controlling a company's operations and facilitating a sound governance structure. Each stakeholder has its own vested interest in the company.

Companies also need to ensure that there is continuous advancement in their corporate governance structures and policies. Abnormal returns were shown to be associated with a high level of investor protection, as represented by the number of corporate governance provisions. Stock price reaction around the time of the initial shareholder rights adoption was negative for firms that eliminated rights. Reducing shareholder rights showed negatively significant coefficient estimates, meaning that those stock prices traded at lower values as the shareholder rights strength increased. This highlighted the importance of having a good system of corporate governance in place.

With the liberalization of the Indian economy, the investor base widened and both domestic and international institutional investors took a stake in Indian companies. The regulatory party began to increase from 1994 with the introduction of regulations on disclosure and non-disclosure of price-sensitive information. A proposal was made to have independent directors on the boards of large companies, which would then lead to other developments. The recommendations made were a precursor to the company laws that were introduced in 2013. Companies listed on the stock exchange would now have to comply with these laws since they were meant to be statutory.

Over a period of time, additional amendments and proposals were made by the regulatory authorities and the corporate sector alike. However, it did not go without its flaws, as there were several instances of corporate misconduct. There was a loss of confidence in the corporate governance systems due to major corporate scandals in 2001. To restore investor confidence, the government, regulators, and stock exchanges were engaged in redesigning and improving the corporate governance provisions. This helped create a better environment for good governance policies to be enacted.

2. Historical Context of Corporate Governance in India

The company law framework in India has its roots in the legislative response to the disasters following the establishment of the first Jute and Cotton Mills in British India during the mid-nineteenth century. The first Company Law in India was enacted in 1857. Historically, the companies were owned either by the British corporations or European nationals. By the late-1940s, however, the landscape changed dramatically, following the independence and enactment of the Constitution of India in 1950. The legislature assumed control over the companies and limited the discretion of the owners/investors by subjecting the companies to substantive and procedural regulation, rendered verbose and complex.

Prior to the liberalization of the economy in 1991, the owners of the corporates were custodians of public ownership and were subjected to myriad regulations in multiple statutes. The separation of ownership from the management was formally recognized only in 1959 with the introduction of the Mutual Fund Companies' legislation. The erstwhile corporate governance regime was replete with regulatory approaches, and post-liberalisation, this was inadequate to balance the powers and rights of corporate constituents. The landmark report in 1991 provided the impetus for changes in the corporate governance framework. Improving the effectiveness of the Boards was seen as a prerequisite for regulatory reform.

3. Key Principles of Corporate Governance

The phrase "corporate governance" refers to the arrangements established to affect control of activities in a corporation, particularly the processes by which and the authority used for making decisions. By directing and controlling an organization, corporate governance facilitates the establishment on the part of the board of directors and in due course an ongoing management evaluation of institutional safeguards against fraud and inefficiency so investors may be confident their capital will be deployed responsibly and productively (Raithatha & Bapat, 2012). Corporate governance is focused on the planning, formulating, determining, and pursuing of corporate policies, strategies, and objectives, ensuring the corporation's assets are employed properly and economically, ensuring a proper management audit is made of the management's performance, and the promotion, endorsement, and commitment by management to specific policies of ethical business conduct.

3.1. Transparency

While considering corporate governance, it is imperative for the company's board of directors to ensure transparency in their operations. Transparency can be defined as openness, communication and accountability. Companies should disclose relevant material facts in a timely manner. In India, there has been significant progress on this aspect with companies increasingly disseminating information on the internet. Listed companies are publishing their annual reports and financial results on their websites. Companies need to appreciate the necessity and need for a Whistle-blower policy which is an important aspect of corporate governance. A Whistle-blower policy encourages the employees of a company to report any wrongdoing to the management. Larger companies with complicated structures or businesses with employees interacting with the public should take into account the requirement of enclosing a copy of the company policy as part of their annual report (Raithatha & Bapat, 2012).

3.2. Accountability

Accountability is considered as the second principle of corporate governance. It has been defined in various ways. For a political scientist, accountability has been viewed as a political-ethical quality of a person, system, and community in the fullest sense. It means a substantive and moral relation between an actor and an audience. According to public administration, it basically means questions about the degree of discretion possessed by an actor and whether the exercise of discretion can be challenged. In management science, accountability is understood as a criterion of the system and person's quality. An account is a narrative or explanation provided by an actor aimed at signing consents between the audience and the actor that the actor's behaviour compatible with normative orders of the question (Raithatha & Bapat, 2012).

3.3. Fairness

As the subject of treatment for corporate governance experiences a sea change, with the conflict between the "shareholder" and "stakeholder" being vigorously debated, governance is bound to evolve. The demands of fairness are here to stay. Who is fair? Everyone will contend to be fair. And fairness will mean different things to different eyes, and be invoked at different times. Companies across India center-stage will be multi-stakeholder companies. How the owners of management balance these claims will determine their ability to create wealth sustainably. There will be disputes, as there always have been, especially now that the public at large feels worthy of the corporate purse, and has little patience with wealth creation not trickling down evenly. But as governance structures evolve, triggers for mischief will likely lessen. Historical experience suggests that rapid evolution is usually a product of compulsion, or changes in the shifts of power equations. Meaningful regulatory intervention in the process is likely to be missing.

Three of the four principles craved by the task force – accountability, transparency, and fairness – are inherently subjective. The common criticism and yet the great strength of principles to comprise a code of governance is that they are elastic enough to encompass ongoing challenges and justify diverse means. Investor protection can be construed to include almost anything, from hard regulation to global ethics; companies will be quick to play off investor expectations with the parallel agenda of the compliance champion in the task force, expertly delaying regulation outside the reach of notions of fairness or equality. The scope for widely different interpretations, depending on who pays the piper who calls the tune, is so great that one would be well advised to start realistically. A narrow definition of the lesser of the principle could call institutional investors or share prices as investor protectors. The task force has perhaps wisely chosen to define investor broadly as including any persons or institutions with a stake in the company. Shareholders have only one stake and it is more clearly definable, the share price.

3.4. Responsibility

The provision to prioritize interests of shareholders over those of stakeholders is only justifiable if procedures and devices are effective to ensure efficient pricing and lower transaction costs (Monciardini, 2019). An alternative proposition would be that in the light of huge deficits in corporate governance and national governance, the implicit presumption that markets are efficient and agents are rational would be rock solid. The key elements of corporate survival – share price appreciation, and shareholder yield – are the object of strong focus and clever strategies. Hence system of checks and balances is weakened vis-à-vis generators of wealth other than wealth itself (Coulson-Thomas, 2019). The situation is aggravated by digitalisation – now a potent force to manipulate big data, unduly influence shareholder behaviour, and create faith in the superiority of the short term to the long term in accounting for stakeholder value. STEEEP Tension Index may be employed to measure performance improvement and competitive advantage in faster timeframes. Each of the conceptual pillars: share price and stakeholder upthrust, prize and penalty, focus systems, big data and digitalisation and STEEEP Tension Index, would be constructed for reaching such a lot of right decisions, optimally executed in faster timeframes.

4. Shareholder Rights in India

There is no principle that one set of interests, such as shareholders, should prevail over another set of interests. Institutional investors such as pension funds and mutual funds own shares of publicly traded corporations for the benefit of their participants and members. The managers of these institutional investors, like the managers of any business, are themselves answerable to a board of directors. Individual shareholders presumably act in their own interests and generally owe no duties to other shareholders or to the corporation. Directors of publicly traded corporations may own a substantial number of shares or their remuneration may be directly related to the value of the corporation's shares. With respect to transactions in securities, however, it is well known that information from the issuer of the securities is asymmetric. In corporate takeovers, however, there is no specific objective public policy. The acquisition of a significant vote-carrying interest in a public company in a control transaction raises a number of legal and business issues, including the impact on stability in the corporate sector of the stock exchange exercised by the superwealthy and potentially unregulated market players. It is important to recognize the distinction between a sale of shares and a sale of control of the corporation. The former is simply a transaction between two parties, that is, one party resigns as a shareholder while the other party becomes a shareholder. The latter, by contrast, is a transaction which has implications for the shareholders, the directors, and the companies of a corporation, and thus for the rights and responsibilities of each respective party.

4.1. Voting Rights

Most discussions of voting rights are framed in terms of the rights themselves granted to holders of shares in the corporation by some statute, agreement, or common law doctrine. One aspect of this framing is that voting rights in a corporation must be the same for all of its shareholders. State statutes alike make it clear that voting rights other than one share, one vote are permissible, and dual class recapitalizations are ubiquitous among large public companies (H. Edelman et al., 2014). For the most part, casually discussing the rights that can differ between shareholders is less informative than reflecting on the scope of the set of rights that must be the same; the starting point for which is public corporations. The focus will be on public corporations for three reasons.

4.2. Dividends and Returns

Returns can take the form of dividends (cash or stock), direct transfer of assets, property buy-back, or issue of new shares. The stakeholders' view is that the firm should not only be in the business of earning profits, but also distribute them to the owners of the firm. The dividend rates and profit sharing policy should be disclosed in the public domain, in the interest of transparency, serve the purpose of the Investors' Education and Protection Fund, and encourage the use of corporate profits for the welfare of commune-associated shareholders. The Government should go in for establishing the equitable distribution of wealth, take share from high-income individuals, and utilize that for the welfare of needy sections. Legitimacy is claimed for a 50 percent Government tax on corporate profits. Dividends should not be exclusively declared or reserved for the shareholders holding stock for long-term purpose, and a lower dividend attractive for retail investors is not an appropriate policy. The stake holding of individual investors is not that much deviant from the ADR holder institutions.

4.3. Access to Information

More transparency for shareholders can be achieved through mutual-agreed media or other communication channels and/or Information and Communication Technology (ICT)-Internet. Some low-cost ICT communication initiatives introduced during the SEC's leadership in the 2000s aimed at easing compliance and deepening investors' knowledge. This had only little success as boards and management, under the then-dominant direct telephonic communication model with influential long-term investors, preferred secrecy (O. Arowojolu, 2015). While many other stakeholders were ignored, incremental disclosure measures complied with ownership structure changes.

5. Stakeholder Interests

No longer is shareholder primacy the dominant paradigm in corporate governance jurisprudence. Companies, as members of society, are expected to operate in a manner that is at least sensitive to, if not favourable toward, stakeholder interests (Botha, 2015). Such a change in the role of companies as stakeholders is not merely academic and has very real consequences, which affect the manner in which corporate governance concepts and rules are interpreted and applied. There is a growing consensus that shareholders, as a class, may not be the most important stakeholders in a company, and company law should empower all stakeholders in the corporation. By virtue of its setting, the Indian Companies Act, equally with those of other common law jurisdictions, addresses notions of stakeholder interests.

Stakeholders ordinarily comprise people or entities that have a legitimate expectation in a company. For a wide range of reasons, stakeholders per se are traditionally seen as people or entities whose interests are invariably financial. A company's legitimate stakeholders are empowered to some extent in that statutes grant them access to information in certain circumstances and a statutory derivative action, inter alia. No less important, if not more important, than the foregoing provisions is the fact that company law must now grapple with the social component of the primary relationship between employees and companies as prescribed in the Constitution.

5.1. Definition and Importance

The hesitation with which the expression "corporate governance" is considered, suggests that it encompasses more than just governance or policy in its ordinary meaning. This probably is true, for it has come to engage oneself upon several disciplines. The various disciplines which have taken part in the name corporate governance include: "Economics, Business Management, Corporate Finance, Financial Economics and Theory of Agency, Law, and Sociology."

Strong domestic stock markets may be non-existent at this stage in an effort to attract foreign portfolios to the country. In poor nations, where many are ill-nourished and poorly educated, the emphasis is on questions of poverty and primarily on the active pharmaceutical ingredients or materials used in the manufacture of drugs or pharmaceuticals. It conflates a whole variety of institutions either set as public corporations or parastatals, which are doted upon throughout the 1990s, but were neglected thereafter. Non-profit organizations, including schools and hospitals are generally mentioned and it seeks to explore and analyze two forms of managed mutual funds prevalent in India.

5.2. Types of Stakeholders

Concepts of stakeholders and stakeholder protection have recently become prominent in the corporate governance literature. However, neither term enjoys a shared conceptualization, which is perhaps to be expected for 'stakeholders', a term coined relatively recently. Stakeholders have often been broadly defined. However, it has been noticed that all stakeholders ought to be able to pose explicit claims on the corporation.

This raises another cognate question. Stakeholder protection can concern forms of protection for stakeholders, which are more elaborate than those already present in the law. However, formulating laws and regulations to elaborate protection of persons or groups presents a formidable challenge. Stockholders and institutional investors have the means and the expertise to monitor the compliance of the law. Labour unions exist as representatives and defenders of workers; and consumer groups and product safety agencies deal with product safety. In contrast, stakeholders of the local community need some form of collective representation institution to advance their interests.

5.3. Balancing Stakeholder Needs

Currently "corporate governance" is undergoing resonance in developing countries in the world, especially in the Asian region, where India is a prominent player. On the basis of its rapidly growing economy, mounting share ownership and changing from state-ownership corporatization, the corporate sector in India has engendered cacophony for the need of a framework of corporate governance. The validity of this initiative is far more eminent than the already time-honoured established system, as the corporate sector in India is contemplating a crucial transition phase, but earlier issues governing corporate management should not be alien from the public debate.

6. Regulatory Framework Governing Corporate Governance

The objectives of corporate governance in India are aimed at establishing conducive environment for transparent corporate reporting and enhancing investor confidence by protecting their rights. It is revealed that majorities of the respondents (61%) feel that the focus is towards addressing the issue of shareholder rights. Only 29% of the respondents choose the option of 'stakeholder interests'. The issues of shareholders' protection and rights in the code of corporate governance were laid out in the original clause 49 of the listing agreement with the stock exchanges. At the outset the code recognizes the rights of consumers, creditors, shareholders, employees and community. Employees should be included as a separate subset under the stakeholder's group.

6.1. Companies Act, 2013

The Companies Act, 2013 is a comprehensive legislation that aims at the comprehensive overhaul of the Indian Corporate Governance framework. The Act attempts to protect, promote and facilitate the rights of shareholders primarily through the establishment of a tiered regulatory structure through the introduction of a class of provisions and authorities, a pari passu judicial process in the form of the National Company Law Tribunal and an access mechanism before it and the Appellate tribunal to address a due process based grievances mechanism. The Act also seeks to assist and align the rights of shareholders with the rights or interests of a section of the concerned stakeholders in specific and regulated situations. The stakeholder governance techniques in the later tributaries are essentially ex-ante conditioning requirements that assist a more effective ex-post monitoring or advocacy mechanism and may improve accountability of directors to shareholders together with an appropriate class of restrictions regarding corporate funds thresholds and disclosures and ex-ante restriction on their issuance. The information asymmetry clause also improves ex-ante accountability requirements of the corporate governance mechanisms as is visible by virtue of improved classical minutes and disclosures regarding decisions and deliberations.

6.2. Securities and Exchange Board of India (SEBI) Regulations

The Securities and Exchange Board of India (SEBI) issued pleasing circulars to make known compulsory Corporate Governance rules for the foreign companies listed on the stock exchanges in India (Raithatha & Bapat, 2012). Similar norms were then subsequently issued for domestic companies. SEBI has been promulgating and revising these laws from time to time. These rules are also contained in the listing explanations and agreements of the stock exchanges. Companies which do not conform to the above mentioned requirements will be liable to be penalized under the relevant sections of the Companies Act 1956, 1979 and the various provisions contained in other laws.

6.3. Role of the Ministry of Corporate Affairs

The MCA's compliance is assessed to ensure correct application and effective use of its latest companies act in terms of corporate governance (CG). The implementation of CG norms in India has been focused on enabling shareholders and stakeholders to exercise effective control over management actions in terms of monitoring, advising, coaching, and sanctioning to fit in with the requirements of the environment as well as the expectations of its agents. Currently, there is a gradual change in guidelines, regulations, and laws to make the trading environment particularly focused on corporate governance as a management tool in a growing operational environment. Accordingly, the Companies Act 1956 and 2013, the Securities and Exchange Board of India Act (SEBI) 1992, and various listing agreements with stock exchanges have been altered or revised to give more teeth to governance requirements (Raithatha & Bapat, 2012).

7. Challenges in Corporate Governance

By allowing the market system to determine corporate governance regulations, India, like many other nations, may aim to minimize the probability of wealth-destroying scams. The adhering to self-regulatory norms or learning about new rules through binding provisions is what the corporate governance policies require. This is especially true in

India, where a number of issues, such as the amount of public shareholding/divestment plans/other quantitative procedures; and when corporate governance will be improved and by how much, are still up for debate. These dilemmas are presented to reinforce the belief that the corporate governance system will be tested continuously by the external market and domestic conditions (Sinha & Singhal, 2012).

7.1. Corporate Scandals and Mismanagement

To show the problem of such board compositions, the paper takes the case of India, one of the new democracies, where managers extensively participate fails to comply with the board independence as required by law or listing norms. It also takes the case of Enron, the well and long regarded company in the US where the board are supposed to be in the long interest of shareholders but were ultimately found guilty in failing in the basic duty as overseer of the management (Ray, 2012). The thrust of the paper is both on the managerial and institutional side. Managerial firms' responsibilities towards minorities shareholders and understanding the enforcement actions or lack of them with Indian institutional investors. The above disclosure provides for a general understanding of the nature and problem like majority-minority oppression in developing countries like India and how these differ with that in industrial countries.

7.2. Lack of Enforcement

One of the biggest challenges of maintaining the balance of rights between shareholder and stakeholders is, the enforcement of existing laws has not been strict. India has a wide range of laws regulating this issue. Most of them were enacted soon after independence. There has however been no serious effort to monitor enforcement of these laws. Most institutions established to provide this monitoring have failed to perform their responsibilities. The lack of effective monitoring has paved the way for violations of existing laws (Raithatha & Bapat, 2012).

7.3. Cultural and Ethical Considerations

The current debate on corporate governance is profoundly affected by ethical norms about the roles and responsibilities of governing boards towards their companies and shareholders. These norms are shaped by the national conditions in which a firm's operations, including investor protection and firm governance, are embedded. The normative foundations of board shareholder obligations and the foundation for stakeholder representation give rise to different balances in the governance of shareholding rights and stakeholder interests. This aspect of corporate governance is of fundamental importance for consideration of the effectiveness of any national corporate governance system and is closely related to those broader issues of prudential considerations that must also be taken into account (P. Sarra, 2001).

Most recently, the absence of these considerations in the booming economic growth of corporatized state enterprises in the East Asian region, followed by the economic collapse after the withdrawal of hot money, has led to the observation that there is no ill wind that blows no good. The complete pursuit of wealth and profit maximization without ethical constraints is now a discredited belief, and closing the doors to external corporate governance mechanisms that are stricter than the prevailing national norms is now an avenue that countries can no longer consider even if they desired to do so. Such considerations, while globally focused, must also allow consideration of local structural factors in the adequateness of those mechanisms (Raithatha & Bapat, 2012).

In the last fifteen years, the stakeholder model of corporate governance has emerged as an urgent need for a substantial shift in the culture of corporate governance. It entails a greater balance between the rights of shareholders and the obligations of firms towards its stakeholders. Stakeholders include those parties who have a legitimate stake or interest in the generating and allocation of wealth by public companies.

8. The Role of Technology in Corporate Governance

The postponement of the board wholly or partly, although the company's articles do not distinguish between provisions concerning the postponement of the meeting of a board of directors of a company and provisions concerning the postponement of a meeting of the company's general meeting; provided that where a board of directors of a PD is about to postpone or has postponed, wholly or partly, a meeting of the board, it has to notify the fact of such postponement, as well as its reason, for such postponement, to each member of such board and to such other persons as it may consider necessary for the said purpose, at least two days before the date on which such meeting is to be held and where such notice is unable to be given, it has to inform them of the said fact as soon as it can; Any director or board who fails to comply with such provision may be held liable to a fine. The postponement of a general meeting of a company is suspensory only of the conduct of such business or matters as were scheduled to be considered at such meeting, and does not affect the validity of any resolution passed by such general meeting (Sinha & Singhal, 2012). However, where a meeting of the members of a PD is about to be postponed, wholly or partly, the chairman has to in the first place notify the fact of such postponement to each member entitled to attend such meeting. In addition, an announcement of the fact of such postponement together with its reason has to be made to the public in accordance with the listing rules made by the CAC. Before the end of the seventh day from the day on which such postponement takes place, notice has to be given to the CAC and a separate notice must be given to the entities on which such PD was dependent (Ray, 2012).

8.1. Digital Transformation

Earlier studies have examined the impacts of digital transformation on firms’ business activities, strategies, and performances. However, as public firms’ economic power grows, their ability to influence public interest becomes more pronounced. The impacts of digital transformation on firms’ social responsibility and sustainability, recognized as important topics in current corporate governance studies, are under-explored. Though firms actively shift their business processes to digital technologies and exploit new business models, increasing debate and skepticism arise over whether firms adequately fulfill their duties to broader stakeholders. Therefore, it is crucial to explore how digital transformation affects firms’ corporate social responsibility (CSR) and, thus, corporate social performance (CSP).

8.2. Data Privacy and Security

Confidentiality and protection of personal information have become paramount and pressing concerns for businesses in India today due to the increase in online transactions. Organizations face a significant risk as a result of their growing reliance on the internet for a variety of business operations, particularly in e-commerce. Despite the rise of the internet and e-commerce, effective legislation outlining the rights of consumers in India and the obligations of businesses in protecting customers' personal data was lacking until the advent of the IT Act 2000. Organizations must ascertain the personal information they want to gather for commercial needs, and they must assure that it never becomes a source for the misuse of such privacy-sensitive data. Additionally, organizations need to control the sensitivity of the data in their possession and their methods of updating and collecting access to it. This study investigates the compliance of 50 publicly traded companies listed on India’s corporate governance index in light of these issues. It was decided to investigate the corporate compliance structure concerning effective data protection measures (Raithatha & Bapat, 2012). Data across ten categories was gathered to evaluate the way in which such measures have been adopted by the companies. The collected data was analyzed by calculating compliance scores across the ten categories of such measures, with a density of compliance score calculated to provide a single compliance score for each company. The adequacy of the protections of data privacy compliance was analyzed using proper statistical tools based on the compliance score computation.

9. International Comparisons

A comparison of corporate governance in different countries enables us to see significant variations not only in the regulatory regime but also in applied standards. (Li & Nair, 2009) have reviewed corporate governance practices in various Asian countries, while providing insights into the determining factors that affect governance. They examined corporate governance practices in Japan, Korea, Taiwan, Thailand, Malaysia, Indonesia, and Singapore. Individual papers explained how accounting rules and deviations from norms in these countries differed from those in mature economies, why and how the behavior of CEO and top management, and their leadership styles, appeared different in some of these countries, how they were compensated, and selected. The extent laws supported accounting rules, the specific role played by boards of directors, the ownership structure and the distribution of ownership stakes, and how various stakeholders negotiated their rights, were taken as concern.

9.1. Corporate Governance in the United States

The world of corporate governance is currently undergoing a period of great upheaval. Events of the past few years, including the collapse of iconic businesses, the fallout from financial scandals, and the massive failure of regulatory structures, are calling into question both the theoretical and legal models of governance which has prevailed over the last generation. It is becoming clear that corporate governance models do not exist in a vacuum, and need to respond to the underlying political, regulatory, and economic circumstances of their time (P. Sarra, 2001). Corporate governance in the United States is analysed from both a theoretical and practical viewpoint.

9.2. Corporate Governance in the European Union

The merger of Spanish utilities Endesa and Acciona has been challenged, it is alleged, on the grounds of shareholder entitlement to or windfall from a huge capital gain on the mandatory takeover bid, as are other mergers, such as that between Xstrata and Glencore. Adam Smith would seem to have had Europe in view when commenting on the inevitable inefficiency and passivity of corporations freed from governance beyond the likely call on the discretionary legal remedy of a shareholder suffering increased losses. In the more benevolent vision, which Victor Hugo foresaw too, mediators between governments and the world’s citizens would emerge, temporally leading them toward that first vision. Who controls the controllers? Would that the solution lay in the check and balance of a board of investment, or agency, or public contestation for corporation charitable status about Heidi’s networking or Anthony Bolton’s jaunt to China.

10. Future Trends in Corporate Governance

This article discusses the future trends in corporate governance in India, which are expected to be influenced by technological advancements, social media platform activism, regulatory and legislative changes, and stakeholder interests. Cyber security and data protection are becoming increasingly important for companies, as incidents have highlighted vulnerabilities and the need for practices to prevent cyber incidents and protect data. The live streaming of board and annual general meetings is also expected to become common in India, increasing transparency and accountability. The trend of investor activism is expected to continue, with shareholders using social media platforms to voice their concerns about corporate governance and management practices. This can lead to reputational risks for companies and impact their performance, as witnessed in the case of a refusal to allow a removal of the MD, which led to a fall in share value.

10.1. Sustainability and ESG Considerations

Corporate social responsibility (CSR) is not a novel notion in the corporate governance context, particularly as it pertains to ownership's reliance on manager engagement (Raithatha & Bapat, 2012). Businesses are required to incorporate stakeholder interests, particularly those of society, into their decision-making processes, independent of and in addition to government involvement. This obligation has been sharpened by fundamentally altered organizational settings created by globalization, policy liberalization, rapidly developing technologies, and convergence that has grown even broader over the past two decades. When a socially responsible initiative aligns with a strategic goal, it can create a win-win situation for individuals and society, i.e., the bottom of the pyramid can be elevated while simultaneously ensuring profits in the organization. Furthermore, government influence is being supplanted by an increasing sense of collective interest and collective responsibility from the ground up. In many cultures, greater pressure is being put on corporations and their directors to find specific answers to the potential issues that would agitate in terms of the innovation and investment of human resources and technology (Ahmad Busru & Shanmugasundaram, 2016).

10.2. Increased Shareholder Activism

Over the past decade, shareholder activism has gained significant momentum in India. It has evolved from merely being a buzzword into an essential function of corporate governance. The growth in the number of institutional shareholders and the passive skepticism over a prolonged bull market are seen as catalysts for this change. These developments along with regulatory initiatives have empowered institutional shareholders to actively participate in the affairs of their investee companies. There is a growing recognition in India of the actual implementation of regulations formulated to protect minority shareholders in a listed company’s management. With the increased scale comes the underlying baggage of questions about conflicts of interest or misuse of influence by management or controlling shareholders.

11. Conclusion

Despite their heterogeneity, companies under a common corporate governance structure combine ownership and control. As a result, the interests of owners understood via agency theory may not always coincide with the interests of managers. To curb agency costs and prevent a takeover threat, owners integrate various governance mechanisms broadly categorized as internal and external (Monciardini, 2019). The interests of shareholders are guaranteed by a host of legislations, regulations and practices at the level of corporate organizations, stock exchanges and capital markets. However, in recent years, attention has also shifted to the study of corporate governance issues beyond these confines to incorporate considerations relating to stakeholders.

India was one of the early proposers of stakeholder governance. While an emphasis on the interests of owners—the so-called shareholder primacy—marked corporate governance reforms worldwide for some time, a newer trend to draw attention to the interests of varied stakeholders in duly exercising their governance rights over corporations is being noticed. It is in this context that Indian efforts to structure corporate governance along stakeholder lines are examined firstly by presenting the competing theoretical perspectives on governance rights and earthy examples on how the present governance structure of listed and other companies in the country is replete with several stakeholder-balancing measures.

Next, the newer developments coordinated by reform-minded and responsible institutional investors, civil society and organised labour to implement 'inclusive' designs in the publicly traded sphere are showcased and analysed. Thereafter, efforts of stakeholder-oriented domestic and global investors, civil society and transnational unions to control the agency costs and exercise leverage over companies in due discharge of their fiduciary responsibilities towards stakeholders are highlighted. In the end, nuances in the Indian narrative evolved prior to or in ten years post-GFC due to domestic and global upheavals in the capitalist system are reflected upon.

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