Corporate Governance Failure and the Regulatory Fight Against It:
An Examination of Select Instances From India

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EXECUTIVE SUMMARY

India has recently witnessed several allegations of corporate governance lapses and failure. The alarming situation prompted the government and the regulators to take serious note to make the companies accountable for the allegations and to bring in regulations to contain the policy leaks. The governing body and the board of directors must abide by ethical standards, demonstrating an unwavering commitment to discipline, transparency, fairness, and accountability for their actions. This work uses a case study approach to examine various recent corporate governance failures in India. The examination is made in the following dimensions: accountability, transparency, equitability, responsibility, ethical conduct, board independence, risk management, corporate social responsibility, stakeholder engagement, and regulatory compliance. The study scrutinized various classic and recent corporate governance lapses in established corporate entities and startups and in Indian banks. The measures implemented by regulatory bodies, including the RBI, SEBI, and the MCA, were analyzed.

INTRODUCTION

The concept of Corporate Governance encompasses the regulatory and functional dimensions of an organization. Academic researchers examine the various aspects of a corporate company, including accounting, finance, law, management, regulations, and compliance. Corporate governance is a risk mitigation characteristic because corporates with robust governance procedures experience less stress and fewer corporate risks. Some such acclaimed governance practices include higher institutional ownership stakes, concentrated family ownership structures, lower CEO compensation and duality, gender diversity, higher presence of female members in management, and better board dynamics in independent boards (Kalia & Gill, 2023). Good corporate governance, especially in an emerging economy, contributes to business performance and protects shareholder interests (R. K. Singh & Sharma, 2023). Organizations exhibiting sound governance practices are perceived to possess resilient internal control mechanisms, enabling them to achieve superior risk mitigation. Such companies successfully filed reliable financial reporting and monitoring by the Board of Directors (Kanojia et al., 2023). The line between good and bad corporate governance practices is thin, and it is often the minority shareholders who pay the price. India has witnessed some well-known corporate companies have going bankrupt, causing losses to their investors.

The current study adopts a case study approach to examine the events highlighting corporate governance's failure. Secondary data from various verifiable sources are used to understand the happenings.

CORPORATE GOVERNANCE IN INDIAN CORPORATE COMPANIES

The occurrence of corporate governance failure is directly attributable to the actions of the top brass of the company (Sajjad, 2023). Since the Board of Directors oversees corporate governance at the corporate level, the governance activities happen separately and parallel to the company's regular operations. The Indian model of corporate governance is slightly different from that of the Anglo-American, German, and Japanese models (Almaqtari et al., 2020; Jalwani et al., 2022; Natto & Mokoaleli-Mokoteli, 2022). Banks and financial performance are two major well-researched areas (Abhilash et al., 2023).

India has witnessed some major corporate governance failures in recent times. The list of disgraced companies includes Yes Bank, IL&FS, DHFL, Jet Airways, the ADAG group, Zee, and PTC India, amongst others. Central to the issue are two key reasons: