


Chapter 12


Minority Promoted or Jeopardized! A Context

Rajinder Minhas

 <https://orcid.org/0000-0002-2428-3688>

Lovely Professional University, Punjab, India

Ashutosh Dwivedi

 <https://orcid.org/0000-0002-3814-8882>

Gopal Narayan Singh University, India

ABSTRACT

Corporate is a separate legal entity, whose affairs are to be commanded in a way that is very fiduciary. Conversely, fraudulent failure of a corporation shakes the conscience of one and raises the curiosity as to what is behind the veil- an honest or a deceptive governance model adopted, to satisfy the lust of garnering wealth by expropriation! It is understandable that, in a duty fiduciary, if there is done negative to the interest of anyone, it is criminal and not at all acceptable! To target such mentalities of the vested an alarm has been raised in this paper. Moreover, a detailed commentary is done to establish that the panacea lies in the fact to have an effective governing board which is truly democratic to diffuse the anomalies for neutrality.

INTRODUCTION

Corporate is an artificial legal person *Prima facie* formed with objectives to have a big sized business entity with huge corpus and liability limited. All this is done to overcome the weaknesses of other traditional forms of business viz. Sole Proprietorship, Firm, Unlimited Partnership. Being fiduciary is the very essence of running the show of an entity corporation. Fiduciary means honesty in deeds and

DOI: 10.4018/979-8-3373-0613-1.ch012

acts, in a relationship, when one is the custodian, of the trust of another. But it is very strange that the advent of forming a limited liability corporate entity equally gave a chance to the governors, vested to embezzle, by devising strategies to betray and fulfill selfish interests, whatsoever. Betraying somebody's trust is immoral, unjustified, and criminal.

Yes, the scene of injustice is propagated by the underlying premises that the promoter's group, having come up with an idea of forming a company and given that they are in a position to constitute the governing board, for sure, put them in an upper hand, when it comes to command the affairs in a way, justifiable to all of the stakeholders. It is here that the line of difference mattered a lot. The representation in the Board formation can better be spelt as the majority (of course they are a few of the total) and the counterpart at the receiving end, can be called as the minority (despite the fact) that they are a lot of the total (Minhas,2023). One may argue here that in the formation of the board, there is followed as a procedure, due to legal process, but that is all in vain. Any of the high-tech drama can be devised to comply with the norms as merely to be a formality and this tendency can be better evidenced from the scene of witnessing, in routine, the fraudulent failures of legal entity corporation.

In simple words, the promoters may have definitely influenced the board formations and due to which, at times inappropriate, there emerged on the scene yet another news, that there is again a failure of another corporation. It is all rubbish, mandating the diagnosis of the effects for a cause (Minhas 2020; Maury and Pajuste, 2005). Yes, structural ownership patterns are the very cause. To mitigate such structural ownership issues several studies have been done (Minhas2017; Connelly et al., 2010; de Miguel et al., 2004; Jara-Bertin et al., 2008; Maury and Pajuste, 2005). But there are few studies exploring specific reasons in terms of the chemistry of vested board and the jeopardized minorities, the stake of whom is at mercy!

Literature Review

Shareholding patterns definitely affect the governance of a corporation. The existing literature supports the fact that the most important problem in the governance of a corporate is conflict of interests between the shareholders controlling and the controlled (Maury and Pajuste, 2005).

The situation of conflict of interests becomes more gruesome when there are made the news headlines, that so and so company is yet another victim of fraudulent failure. Fraudulent failure of a company *prime facie* is a big question mark on the governance of a corporation. The mentality of the board responsible at the helm of business affairs and willfully making a business fiasco is just like butchering the golden hen for golden eggs inside (Minhas,2023). Studies have also evidenced

18 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/minority-promoted-or-jeopardized-a-context/385339

Related Content

A Survey of Risk-Aware Business Process Modelling

Hanane Lhannaoui, Mohammed Issam Kabbajand Zohra Bakkoury (2017).

International Journal of Risk and Contingency Management (pp. 14-26).

www.irma-international.org/article/a-survey-of-risk-aware-business-process-modelling/181854

An Empirical Take on Qualitative and Quantitative Risk Factors

K. Madhu Kishore Raghunath, S. Lakshmi Tulasi Deviand Chandra Sekhar Patro (2017). *International Journal of Risk and Contingency Management* (pp. 1-15).

www.irma-international.org/article/an-empirical-take-on-qualitative-and-quantitative-risk-factors/188679

The Impacts of Risk on Deploying and Sustaining Lean Six Sigma Initiatives

Brian J. Galliard Mohamad Amin Kaviani (2018). *International Journal of Risk and Contingency Management* (pp. 46-70).

www.irma-international.org/article/the-impacts-of-risk-on-deploying-and-sustaining-lean-six-sigma-initiatives/191219

Comparative Analysis of Racio-Ethnicity and Gender Impact on Stock Risk

J. R. Smith, Andrea Tillman-Hawkins, Alisa L. Mosleyand Jean-Claude Assad (2014). *International Journal of Risk and Contingency Management* (pp. 18-41).

www.irma-international.org/article/comparative-analysis-of-racio-ethnicity-and-gender-impact-on-stock-risk/116706

Loss Aversion in Companies Whose Location Is Affected by Fire

Mara Madaleno, Jorge Motaand Fábio Brandão (2022). *Handbook of Research on New Challenges and Global Outlooks in Financial Risk Management* (pp. 116-147).

www.irma-international.org/chapter/loss-aversion-in-companies-whose-location-is-affected-by-fire/296051