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**THE ROLE OF SHAREHOLDER ACTIVISM IN STRENGTHENING  
CORPORATE GOVERNANCE**

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**ABSTRACT**

Shareholders' activism has emerged as a dynamic force in corporate governance, particularly in the United States and India, where it has significantly influenced boardroom decisions and corporate policies. In the U.S., activism has evolved since the 1980s with the rise of institutional investors, hedge funds, and proxy battles, reinforced by judicial decisions that have upheld shareholder rights and encouraged corporate transparency. Landmark cases such as *Dodge v. Ford Motor Co.* and *SEC v. Texas Gulf Sulphur Co.* laid the groundwork for recognizing shareholder interests and the importance of timely disclosures. In India, shareholder activism is relatively nascent but has gained momentum due to reforms in corporate law, the emergence of institutional investors, and growing awareness among retail investors. Judicial pronouncements such as *Tata v. Mistry* and regulatory actions by SEBI have contributed to empowering shareholders and fostering a culture of accountability. Events like the Satyam scandal also catalyzed a shift toward stronger governance mechanisms. This comparative analysis reveals that while the U.S. model is driven by market forces and judicial backing, India is increasingly catching up through legal reforms and active judicial intervention. Together, these developments underscore the vital role of courts and landmark events in shaping the trajectory of shareholders' activism in both jurisdictions.

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## INTRODUCTION

The overall health condition, i.e., all round development of an institution, group or association can be deciphered from the fact that how much right and privilege is enjoyed by the person at the hind side, i.e., how much enjoyment of the right is available or remediable to the person who is weakest, since the main purpose of law is to protect the weaker section as the well versed ones as they themselves are capable of insuring the enforcement of their rights. In the corporate world also the corporate governance shall remain incomplete without ensuring the rights of the minority shareholders. If the minorities shareholders have say in most of the significant decisions of the company, it's very much a manifestation of good health of the company and if the minority shareholders themselves peruse for the enforcement of their rights, it adds value to the feature of corporate governance.

Not only in the past or present rather in the coming<sup>3</sup> days also shareholders' activism seems to be a promising feature of the corporate arena in the United States. This continued significance of the same has been due to a past famous serious of scandals during the early period of 2000s and the most memorable among them all was of Enron Corporation. It followed war level efforts in the field of U.S corporate governance. Famous among the reforms particularly the later introduced federal regulations primarily focusing on corporate governance have significantly altered the features of the board of directors in U.S. corporations. Not only this, the engagement of the shareholders has become a ray of hope for companies. It has also significantly influenced some other legal and cultural alteration and amendments further increasing the power of shareholders.

In today's time it is also decipherable that shareholders also have desire to make hand in hand cooperation with the management and board of directors, so that reforms can be brought in the governance of the company further touching other aspects also. This role of present day shareholders activity has in a way melted the thaw between a traditional shareholder activist and other shareholders of a corporation. This is due the fact that, now days an increased expectation; seeking to impose more influence upon the governance and the decisions which may have a substantial effect upon the company; can be seen to have been well discharged by a shareholder.

Though the term activist has seen itself effectively getting diluted due to the fact of a number of kinds of shareholders emanating the solution, then also the always increasing acceptability of activism in the field of corporate arena has continued to increase the frequency of the same. This

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<sup>3</sup> The Shareholder rights and activism review edition 4, UNITED STATES available on <https://thelawreviews.co.uk/edition/the-shareholder-rights-and-activism-review-edition-4/1197515/united-states> visited on 21st 2020.

is manifest from the fact that a number of giant U.S. Corporations, i.e., U.S. Public Companies, which time and again face the public activist demand, are day by day getting more and more pronounced than the time which has ever happened in the past and it is also worthy to be noted that the same has increased in terms of publicly announced campaigns.

## **STATE LAW**

Each company gets its incorporation in the state of its choice. In the U.S. the law within the realms of states established the fiduciaries duties of Directors. Also the powers and authority of the same is also governed by the states laws. This duty, power and authority of the before said at the instance of the state legislature holds good not only to privately held companies but also to publicly traded companies. As already discussed more than half of the Public Companies in the United States of America are formed in a single state by the name Delaware. Delaware is a small state but since it has got specialized in the field of business law and also together developed a sophisticate judiciary, as a result it has given a body of good number of case laws.

## **FEDERAL LAW**

For the purpose our research, the federal laws are to be more focused on because the same are related to shareholders' activism and engagements. The one governing securities trading like the Securities Act of 1933, the Security Exchange Act of 1934, the Sarbanes Oxley Act 2002, and the Dodd Frank Act of 2010 are the example of federal laws which have given rise to shareholders' activism. The federal laws particularly the one relating to the protection of competition also has a significant impact on activism.

## **CASES OF SHAREHOLDERS' ACTIVISM IN UNITED STATES**

The present wave of shareholders' activism which is seen now a days, has not been constituted in a day. It's a common saying that "Rome was not built in a day", it took not only years but decades to reach this level of shareholders' activism of the date. The foundation of the same dated back to the year 1942 with the introduction of SEC. Later on the events were followed by an appreciable number of land mark cases which paved the way for shareholders' activism and consequent corporate governance in U.S. These cases have been dealt with hereinafter.

**BEN GRAHAM VERSUS NORTHERN PIPELINE (1928)**

This case marked as a pioneer in modern shareholders' activism<sup>4</sup>, as it introduced a very novel concept of new era shareholders' activism. At the first time when Benjamin Graham came face to face with the management of Northern Pipelines in the year 1926, it was a path which was till date very much less headed to, because at that time<sup>5</sup> the intervention of shareholders in normal course involved the disputes between minority owners or at most it could be the case of a strategic buyers who desired of taking control. Now the question may arise as to why shareholders' activism was so rare in the early period of twentieth century. So the answer is obvious that the ownership at Public Companies was mainly centered into a few hands, be it the ones who founded the company, their family members or at the most the entrepreneurial financiers. As a result it was tough for any outside shareholders to exert any sort of influence. It was Graham who at the first time noticed both of these forces in action at Northern Pipeline. It was also not surprising that none of the others shareholders were aware about the fact that the company was hoarding a large amount of capital and at the same time the Rockefeller Foundation was in effective control of the management of Northern Pipeline and the same was through a 23% equity stake.

Now coming to the other part of the story which concerns Standard Oil which was an American oil producing Company and its business was not limited to oil production rather it also extended to the transportation, refining and even the marketing of oil. Here also John Rockefeller was the Founder, Chairman and majority shareholder, as a result Rockefeller Foundation here also was in effective control. Viewing the same ,i.e., the standard oil as a monopoly, the U.S. Government under the provisions of Sherman Antitrust Act, split standard oil into smaller functioning parts. The same was not paid that much heed to buy the Wall Street. The thing which needed to be paid attention to was that a very little was within the cognizance about the finances of the Company in the public domain, reason being the fact that they did not provide the balance sheets in detailed form. Frankly, it could be said that no one in reality cared to give a damn to this

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<sup>6</sup> <sup>4</sup> Shareholders' activism & Engagement available on <https://gettingthedealthrough.com/area/84/jurisdiction/23/shareholder-activism-engagement-2019-united-states/> visited on 26 april 2024.

<sup>5</sup> Dear Chairman, Board room battles and the rise of Shareholders' activism, JEFF GRAMM

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fact. But there was an exception also and this exception was Benjamin Graham. Time and again he used to look through the data provided by the commission for inter states commerce. Interstates Commerce Commission was a regulatory body that used to over sea the rail roads. Benjamin Graham came across some data which was made available by the pipeline companies. The same was accompanied by a note which read “taken from their annual report to the commission”. Mr Graham wanted to know more about the same so he left for Washington with the sole aim of examining the filings of the company in full length at the record room of the commission. He came across the fact that most of the pipeline companies owned a large amount of money in the form of finest rail road bounds. He also noted that these companies in comparison were doing small gross business but the same was coupled with a large profit margin. But even then also they did not carry any inventory. As a result they had no need for these investments in bonds. Benjamin Graham focused more on northern pipeline because it has huge amount of securities in ratio to the share to its market price.

#### **ROBERT YOUNG VERSUS NEW YORK CENTRAL (1954)**

The story of the case dates back to the year 1938 when Robert R. Young, and inhabitant of Texas who was always of the conscious effort to rail against the bankers of the Wall Street. The bankers have been referred in the case with a specific term “God Damn Bankers”. The use of the specific term “God Damn Bankers” is obvious of the fact that the bankers were worthy to be damned by the God. Mr. Young found himself in a bitter feud for the control over the Chesapeake and Ohio Railways. His opponent on the other side was guarantee trust. It was a “God Damn Bankers” acting in trust of \$80 million of debt which was secured by Young’s stock. As a result of the declaration by the Guaranty about the value of Young’s collateral having been fallen below desired level, the bank started action to impound the stock and at the same time by the use of its voting power it initiated the removal of Young from the C&O Board. Though Young had been in active control of the C&O only for a brief period of 1 year but during that short span he was able to alienate both rail-road community as well as primary lenders thereof. He was

convinced with the fact that GuarantyTrust was in a conspiracy with some “God Damn Banker” like J.P. Morgan<sup>6</sup>, so that he could be pushed out of the industry.

It is also worthy to be mentioned here that a few weeks before the C&O meeting of the shareholders, an order by the Federal Court had been issued which temporarily restrained both the GuarantyTrust and also Young from casting vote for the contested share. When the fact became clear that the issued order is going to remain in effect for long, both the sides, i.e., GuarantyTrust and Young were forced to initiate the campaign so as to secure their side through proxies of the C&O’s shareholders. Initially it was within the expectation of both Guaranty and Young that a legal battle will ensue over securing voting control of a block of shares. But as the time would have it they had to compete but for the exercise of loyalty of 60,000 shareholders of C&O over a smaller shareholdings. In the beginning Young fought his bankers adroitly and the same was his first ever proxy fight. Due to his sheer populist charm, he won over the news media due to the fact that he appealed to the public’s prevailing resentment of the Bank of Wall Street. In the line of his strategy, Young released a series of letters which were vicious, to the Guaranty Trust and this all had been done publically. It was also the part of the strategy to address these open letters to the opponents of Young but it was written more for the purpose of influencing the smaller shareholders of C&O and as it was anticipated, in reality also it proved to be a powerful weapon in the course of the campaign. Young won for a land sliding percentage of 41 of common stock C&O. This in effect was representing far more than 70% of the constituent share which had not been restrained by the injunctive order of the court.

This fight for the proxy in C&O railway was successful in sending a clear warning and that too through the board rooms of the Public Company. Not only this the daring gesture of young man by the name Young had also been recognized by the Saturday Evening Post. In its words the man had bested both Guaranty Trust<sup>7</sup> and also allegedly J.P. Morgan. And this feat was not achieved with the mere supplies of capital but by merely lobbying the ultimate beneficiaries i.e. the public shareholders.

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<sup>6</sup> Young v. New York City Transit Authority, 903 F.2d 146 (2d Cir. 1990)

<sup>7</sup> ibid

This mark of events was also not far from catching the attention of an appreciable no. of young men who were desirous of beginning to establish their own empires of business and that too during the great depression. The campaigns of Young for the C&O were successful in teaching them a strategy to win in the war of seeking control of the corporations, i.e., Public Companies with the help of proxy votes.

Not only this when the World War II ended the U.S. economy started to expand and it is not surprising that they walked and took the help from Young's playbook for the purpose of targeting the underperforming of Public Companies. The list not only included major rail roads but it also included other well-known household names namely Montgomery Ward, M.G.M. Loews and the likes of 20<sup>th</sup> century Fox and also Decca Records.

Encouraged by his success in the year 1954 at the C&O, the next target of Young was the New York Central. The same was 2<sup>nd</sup> largest rail-road in the country. This time the strategy of Young was to debate with his opponent and the result was very much reflected in daily newspapers which were field with ads for the purpose of soliciting votes. The control of the New York Central was not new as before Young's effort to control the New York Central, Commodore Vander Bilt had also made a successful effort in the year 1867 but the same was done through behind the scenes share purchases. But this time the same was done with the spice mixture of drama, turning the communiques of shareholders from a mere formal legal document, into an entertaining and irreverent missive. For understanding on of his provocative letters to the New York Central, it shall be relevant here to produce the cutting into the very words: "Warning: if any banker, lawyer, shipper, supplier or other person solicits your proxy for the present Board, ask him what his special interests are, or what yours Company is paying for his services. Like the bankers now on your Board, he, too, may be hoping to receive special favors from you railroad or from the bankers."

**WILLIAM SHLENSKY, ON BEHALF OF AND AS A REPRESENTATIVE OF CHICAGO NATIONAL LEAGUEBALL CLUB (INC.), PLAINTIFF-APPELLANT V. PHILIP K. WRIGLEY, ET AL., AND CHICAGO NATIONAL LEAGUE BALL CLUB (INC.), DEFENDANTS-APPELLEES. (1966)**

The case in this court was preferred by way of an appeal. The appeal was from the dismissal of plaintiff's complaint (which was amended) at the behest of the defendants.

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The case was concerned with the negligence and mismanagement by the directors of the company<sup>8</sup> as a result the corporation was also made the defendant in the case. The plaintiff prayed for damages and also sought an order for causing the installation of lights as well as for the purpose of organizing baseball games in Wrigley Field.

Plaintiff in the case was a minority shareholder in the corporation (defendant in the case) by the name Chicago National League Ball Club the same was a corporation registered in Delaware but its principal place of business was in Chicago Illinois. The story of the defendant corporation was that it owned and operated the major part of the professional baseball team playing leagues with the name of Chicago Cubs. Along with the same the corporation was also engaged in the operational works of the Wrigley Field which was also the Cubs; Home Park, the sales which used to happen during the cubs home games as well as the television and radio etc. broad cast of the home games. The corporation also used to deal in the business of giving the field on lease for the organising football games and in return it received its share.

The individual defendants in the case were the Directors of the Cubs who had served for varying period's years. One of the individual defendants Philip K.Wrigley was also the President of the Corporation as well as the owner of shares extending to 80% of the shareholdings. It was the allegation of the plaintiff that right from the inception of the night baseball in 1935 nineteen of the total twenty major league teams have time and again scheduled night games. For example in the year 1966 out of a total no. of 1620 games in the major leagues, 932 were played at night time. It was the allegation of the plaintiff that every member of the league except the Cubs used to schedule substantially most of its home games in the same year at night. Though the exclusion was provided for the opening days, Saturdays, Sundays, holidays etc., and all this had been done only for the specific purpose of more and more maximizing attendance and thereby increasing revenue and income many a folds. It was also unknown fact that the Cubs in the years ranging from 1961 to 1965 have to face operating losses from its operations<sup>9</sup> of direct Baseballs. The plaintiff related those losses as a direct consequence of the inadequate attendance of the game lovers. He directly connected this non-attendance with the non-

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<sup>8</sup> 237 N.E.2d 776, 95 Ill. App. 2d 173

<sup>9</sup> *ibid*



installation of lights at Wrigley Field due to the continued refusal of the Directors. The plaintiff also contended that if the situation is allowed to continue as it is then it is not far fact that it would sustain comparable losses, thereby deteriorating the financial condition of the company.

The plaintiff also alleged that except for the financial year of 1963, attendance far or less at Cub's home games had been substantially far below that as had been at their road games and many out of which were played at night time. It was the allegation of the plaintiff that the defendant in the case, i.e., Wrigley had refused to install lights. The refusal was not because of the fact that Wrigley was concerned about the interest in the welfare of the Corporation rather he was more concerned about his personal opinions like baseball is a day time sport and if lights are installed, then in that case the night baseball games will have a negative effect ,i.e., a deteriorating effect upon the surroundings.

It was also an allegation that the defendant had admittedly showed his disinterest in financial benefits which Cubs will get from such action due to his personal concern for the neighborhood and if at all he agrees or the night games then it should have been played at the new stadium to be built somewhere in Chicago along with the president of the corporation as alleged by the plaintiff, other defendant Directors had acquiesced in the policy framework which were laid down by the President of the Corporation himself. It was them who had permitted him to rein the Board of Directors particularly in the matters of the installation of the lights as well as the scheduling of night games.

So finally the charge was made out that the directors were in action or inaction for reasons which were contrary as well as unrelated to the interest of the business of the Corporation and thus were arbitrary and capricious and hence constituting mismanagement and waste of the assets of the Corporation. Also the Directors are equally to be held liable for the negligence as they failed to exercise reasonable care and prudence, which are necessary in the management of the affairs of the Corporation. Now coming to the question in the appeal, which was as to whether plaintiff amended complaint stated a cause of action. On the contrary, the defendants in the case argued that the courts cannot step in and thus interfere with the business judgements, which were honest unless it could be shown that it was a result of fraud, illegality or the conflict of interest.

Now coming to the decision of the appellate court, as far as the argument of the plaintiff in respect of action of the Directors was concerned, the honorable court held that it was not satisfied with the fact that the motives assigned to the President of the Corporation and through him to others, were contrary to the best interest of the Corporation and resultantly to the stockholders. For instance, the effect on the surrounding neighborhood, as it appeared to the court, of course might well be considered upon by a Director. As his role was to consider as to who would attend or who would not attend the games had the park been in a poor neighborhood. In addition, the visionary interest of the Corporation might demand all attempts to keep the neighborhood from getting deteriorated. By expression of his opinions, they made it clear that in no way they mean to say that they had decided about the correctness of the decision of the Directors. They were merely stating the fact that the alleged motive in the complaint (amended) showed no fraud, illegality or conflict of interest in their making of the decision.

Coming to the next claim of the plaintiff the court held that taken as a whole, the factors other than attendance also affect the net earnings or the losses. The court for instance, took the reference of the year 1962, wherein attendance both at home and road games depreciated significantly as compared with the year 1961, and then also the loss from baseball operation was appreciably less. Even then also the plaintiff in the case was only concerned with the installation of lights. Furthermore in the instant case the allegation of the plaintiff that the interest of the minority stockholders and also the Corporations have been compromised with both seriously and irreparably by the wrongful conduct both of the president and the defendant Directors, is not sustainable.

**ROSS PEROT VERSUS GENERAL MOTORS (1985) GROBOW V. PEROT, 539 A.2D 180 (DEL. 1988) HON'BLE SUPREME COURT OF DELAWARE**

It is not unknown that General Motors exercise<sup>10</sup> mastery in auto mobile making. General Motors were the largest car maker in the world, but it was losing the battle to its competitors like Toyota and Honda and thus losing the market share. It is also worthy to be discussed here that General Motors when was in the control of a consumer goods

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<sup>10</sup> ibid

company later moved into the hands of financial managers, the decline was inevitable this was due to the fact that the accountants had started preferring short term profits over and above quality products.

In the year 1981 Roger Smith became Chairman and also the CEO of General Motors. For the purpose of modernizing operations he focused on massive acquisition. It was in the year 1984 that the deals were signed by setting the sites on EDS and as a result Rose Perot became the largest shareholders and thus made his way to the Board of Directors. The inclusion of Rose Perot into the Board had ignited a fresh flame of enthusiasm in the mind of the investors and accordingly Smith elaborated that the style of Mr. Perot rightly fitted with what the Board was busy in trying to achieve at the General Motors.

But this wave of enthusiasm was short lived reason being the more he started becoming aware of about the auto mobile business, the more he started thinking as well as making presumption that smith's enthrallment with the newly introduced technology was missing the agenda. Though General Motors went on to lavishly spend millions of dollars, not only on robotics but also on automated manufacturing but these were the Japanese auto makers which were reining the market share as they were building better cars and that to on old equipment. The reason of this obvious failure was that General Motors was not successful in taping the real potential of its employees. The biggest hurdle in the way was the company's huge bureaucracy incapable of getting out of its created ways. The prevailing condition at the General Motors is obvious from a statement of Perot to the Fortune magazine wherein he through an example tried to explain the condition therein. The example was in the very words of Mr. Perot as follows:-

"I come from an environment<sup>11</sup> where if you see a snake, you kill it. At GM if you see a snake the first thing you do is go hire a consultant on snakes. Than you get a Committee on snakes, and then you discussed it for a couple of years. The most likely course of action is –nothing. You figure, the snake has not beaten anybody yet, so you just let him crawl around on the factory floor. We need to build an environment where the first guy who sees the snake kills it."

Ross Perot's contribution to the company so as to start shareholders' activism runs into a number of efforts so as to get right to work at the GM. He considered labor as a resource

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<sup>11</sup> 539 A.2d 180 (Del. 1988)

in his effort to exploit better to say utilize the capacity of the labor force, he once invited the top ranking two hundred executives for dinners at his house, each in the group of eight not only this he met with nearly a thousand of computer workers of the General Motors in the groups of fifty each. It had become a part of his routine to visit dealerships of the general motors in street clothes on weekends. This weekend visit was for the purpose of not only to taste there ,i.e., of dealership's customer service and also to check on the field the Company's product. All these efforts were part and partials of a shareholders' activism for the sole purpose of understanding the non-competency of the world's richest car company against Japanese automakers which were flourishing on shoe string budgets.

### **CARL ICAHN VERSUS PHILLIPS PETROLUIM (1985)**

Carl Icahn famous for his corporate <sup>12</sup>raiding work within a brief period of seven years had become a symbol of corporate raid. On February 4<sup>th</sup> 1985, he penned down and sends for a letter to the management of the Phillips Petroleum with the offer to buy the Company. In the same letter he had blown his first salvo in the form of a threatening that if the bid was not accepted he shall be compelled to initiate a round of hostile tender proposal for securing the control. This gesture of confidence shown by Icahn was not ill informed (as Icahn was not a novice in this field) rather Philipps was the fifteenth target as a raider. Now the question arose before the management of Philips as to whether the threats in case of non-acceptance of the bid, should be ignored or should it be seriously considered. The tender offer of Icahn was of a whopping some of 8.1 Billion dollars for the acquisition of Philips and at the same time this threat attracted the attention of a few people and that to seriously also. And the reason of such heed being paid to was not surprising too as CarlIcahn's career during the decade of 1980s had set an example and it was more than that of any of the other raiders.

The fight of control which was started Carl Icahn was not a consequence of any short of misinformation rather it was based on his firm belief that whenever a fight for control is initiated, it generally leads to wind fall profits for the shareholders. ,i.e., why in the year

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<sup>12</sup> ibid



1980, wherein he wrote a memo for the purpose of making the prospective investors who were outlining the opportunity, he said “it is our contention that sizable profits can be earned by taking large positions in undervalued stocks and then attempting to control the destinies of the companies in question by : (a) trying to convince management to liquidate or sale the company to a white knight, (b) waging a proxy contest, (c) making a tender offer and/or, (d) selling backour position to the company.”

With the growth of his fortune day<sup>13</sup> by day Icahn had himself developed a philosophy about corporate governance. At public spaces time and again he used to talk about the situation of the lake of accountability which was prevalent in the Public Companies and the same was ultimately growing as a threat to the prosperity of the American economy. The turning of events for controlling the Phillip Petroleum by Icahn started stemming in the late 1984. It was rip time for doing so as the management was not at all concerned about as to what was happening at its back and thus it appeared as if it had back against the wall. ,i.e., why Icahn was certain about the fact that Phillips if pressured would sweeten the recapitalization in favor of the shareholders. ,i.e., why it was the need of the hour to start a hostile raid. Though Icahn had already threatened the management of the Phillips with the threat to take action to start a proxy fight but before making the offer he had perhaps not enough of money to buy the entire Company. In order to remain prepared with the funds in case of acceptance of proposal to buy the Phillips petroleum, Icahn met with a number of people be it Michael Milken, Drechsel etc. before the Phillips episode, drechsel had ben handy in lining of capital for two earlier hostile raids the first being Pickens versus Gulf and the second being Steinberg versus Disney.

## CONCLUSION

In spite of so many law, the biggest scam like Enron and World Come paved the way for Sarbanes Oxley Act 2002. This Act is also known as public company accounting reform and investor protection Act and corporate and auditing accountability, responsibility and transparency Act .It is again a federal law. The provisions of this Act applies not only to

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<sup>13</sup> Lessons from a famous shareholder activist battle available on <https://www.firstlinks.com.au/lessons-shareholder-activism-battles> last updated on 27 august 1917.

the public company board but even to the public accounting firm and many of the provisions of this Act even applies to the privately held companies. The main aim of this Act is to protect the investors and that to by bringing reform in the discloser provisions in pursuance of the securities law. This law did what no law had done before; it proved to be a milestone in controlling fraud and scam in USA.

On the other hand, in India the history of corporate governance started through managing Agency System(1805-1955). The first managing system came into existence in 1809 and further the system developed and changed into legal enactment as 1<sup>st</sup> Companies Act 1850 followed by amendment in 1857 as well. British merchants were the first managing agent in India. They in order to gain much profit brought both the financial as well as managerial resources together. They were following few basic steps for business and the first one to start new company when it began to produce profit then they sold its shareholdings. Next, they were excellent in running the company so they got appointed to manage the company according to contract and in the last, they got key monetary function because of their capability to allure investors. Post independent, the top managing agents started promoting new trade by funding some amount and rest will be managed through public offering. The concept of corporate governance arises from promoter system. USA and UK brought various program for economic liberalization and due to economic crises of 1990s and consequently the need of IMF compelled India for liberalization.

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