

CORPORATE GOVERNANCE REFORMS IN INDIA AFTER MAJOR FRAUD CASES- Samridhi Upadhyay¹**Abstract**

This paper is a critical study of corporate governance reforms in India after major fraud cases and examines whether these reforms have succeeded in improving transparency, accountability, and investor protection. It begins by explaining the meaning and importance of corporate governance in modern company law, especially in a system where ownership and management are separate. The paper then discusses major fraud cases such as the Satyam scandal, Enron, WorldCom, and other significant corporate failures to show how weak board supervision, ineffective auditing, poor internal controls, and a lack of ethical responsibility can lead to large-scale financial misconduct. These cases demonstrate that fraud is not only a financial crime but also a failure of governance, compliance, and institutional vigilance.

The paper further analyses the legal and regulatory reforms introduced in India in response to such scandals. It focuses on the Companies Act, 2013, the strengthening of audit committees, the role of independent directors, enhanced disclosure obligations, auditor accountability, and the creation of regulatory bodies such as the National Financial Reporting Authority. It also considers the contribution of securities market regulations and evolving shareholder protection mechanisms. While these reforms have undoubtedly improved the formal structure of corporate governance, the paper argues that their practical success remains limited due to weak enforcement, promoter dominance, token compliance, and insufficient independence of directors and auditors.

This paper is based on a doctrinal and analytical approach and evaluates both the strengths and weaknesses of the reform process. It concludes that India has made meaningful progress in corporate governance, but the problem of fraud cannot be eliminated by legislation alone. True reform requires strong enforcement, ethical corporate culture, effective oversight, and genuine accountability at every level of corporate decision-making.

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Literature review

The existing literature on corporate governance in India shows a clear shift from a narrow legal understanding of company management to a broader concern with transparency, accountability, investor protection, and ethical decision-making.² Early scholarship on corporate governance reforms in India explains that the concept developed as part of the larger effort to improve capital market confidence and regulate the growing power of corporate management.³ These works highlight that governance is not limited to formal compliance with company law; rather, it concerns how companies are actually directed and controlled in practice. The literature also emphasises that in a system where ownership and management are separated, mechanisms such as board oversight, audit committees, disclosure duties, and independent directors become essential for reducing misuse of power.⁴ A major part of the literature focuses on the Satyam scandal⁵ and its impact on Indian company law. Scholars repeatedly describe Satyam as a turning point because it exposed deep weaknesses in board supervision, auditing, and regulatory enforcement. One study notes that the scandal led to serious questions about whether stricter guidelines can actually prevent major corporate fraud in the future,⁶ or whether loopholes still remain in the governance system. Other writings argue that the fallout from Satyam forced regulators to rethink the adequacy of existing governance rules and prompted stronger emphasis on transparency, accountability, and monitoring. These sources are important because they show that the post-Satyam reforms were not abstract policy experiments, but a direct response to a major failure of corporate control.

Another important strand of literature examines the legal reforms introduced after such scandals. Several authors point out that the Companies Act, 2013,⁷ marked a major overhaul of company law in India by strengthening director duties, disclosure obligations, fraud provisions, and stakeholder remedies. The literature also notes that SEBI's listing and disclosure norms⁸ became more robust, especially in relation to investor protection and market efficiency. This body of work suggests that reform in India has been aimed at creating

² Institute of Company Secretaries of India, Corporate Governance Study Material.

³ J.J. Irani Committee, Report on Company Law (2005).

⁴ Securities and Exchange Board of India, Corporate Governance Guidelines.

⁵ Satyam Computer Services Ltd. Scam (2009).

⁶ SSRN, Corporate Governance and Fraud Prevention Studies.

⁷ Companies Act, 2013 (India).

⁸ Securities and Exchange Board of India, SEBI (LODR) Regulations, 2015 (India).

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a stronger system of accountability through statutory control, better reporting, and wider remedies for shareholders. At the same time, scholars acknowledge that the impact of these reforms depends greatly on enforcement, since formal legal change alone cannot eliminate governance failure.

A related group of studies deals specifically with investor protection. These writings argue that one of the central purposes of corporate governance is to protect shareholders, particularly minority investors, from mismanagement and domination by controlling promoters.⁹ The literature shows that disclosure, fair dealing, and class action remedies are increasingly viewed as essential tools for investor confidence.¹⁰ In this context, corporate governance is not treated merely as an internal management issue but as a structure that safeguards market trust and financial fairness. These studies are useful for the present paper because they support the view that governance reform must be judged not only by legal design but also by whether it genuinely protects investors in practice.

Recent literature also takes a more critical approach by examining whether reforms have actually succeeded. Some studies report that although governance structures in Indian companies improved after the reforms, problems such as weak enforcement, family ownership dominance, and a decline in the addition of independent directors remain.¹¹ Other writings note that while successive reforms have improved India's corporate governance performance, there are still serious gaps in compliance and monitoring. This literature is especially valuable because it prevents an overly optimistic view of reform and instead encourages a more balanced assessment of both progress and continuing limitations.

Overall, the literature reveals three important themes. First, corporate governance in India has become more formalised and legally detailed after major fraud cases.¹² Second, the Satyam scandal¹³ played a major role in pushing reforms toward greater accountability and transparency. Third, despite these changes, scholars continue to question whether the reforms have fully succeeded in practice.¹⁴ This paper builds on that scholarship by bringing together the legal reforms, the major fraud cases, and the critical debate over effectiveness, in order to assess whether Indian company law has truly addressed the governance failures exposed by corporate scandals.

⁹ IndiaCorpLaw, Minority Shareholder Protection Studies.

¹⁰ Companies Act, 2013, § 245 (India).

¹¹ SSRN, Empirical Studies on Corporate Governance (2024–2025).

¹² Institute of Company Secretaries of India, Governance Reforms Analysis.

¹³ Satyam Computer Services Ltd. Scam (2009).

¹⁴ SSRN, Critical Evaluation of Corporate Governance Reforms.

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Introduction

Corporate governance is one of the most significant aspects of modern company law because it determines how a company is directed, controlled, and held accountable.¹⁵ It is not limited to legal compliance alone; it also includes ethical management, transparency in decision-making, protection of stakeholder interests, and responsible conduct by directors and management¹⁶. In a corporate structure, shareholders invest capital, but they often do not participate in day-to-day management.¹⁷ This separation of ownership and control makes governance mechanisms essential,¹⁸ as they help ensure that those who manage the company do so in the interest of the company and not for personal gain. In India, the importance of corporate governance has grown steadily over the years, especially after a series of major fraud cases exposed serious weaknesses in internal controls, auditing systems, board oversight, and regulatory enforcement.¹⁹

The Satyam scandal in 2009²⁰ was a turning point in the history of corporate governance in India. It revealed how a company of great size and reputation could engage in large-scale financial manipulation while appearing successful on paper. The scandal shook investor confidence, affected the credibility²¹ of corporate disclosures, and raised serious questions about the effectiveness of directors, auditors, and regulators. It showed that formal compliance with company law was not enough if the spirit of accountability was missing. The case also demonstrated that fraud in the corporate sector can have wider consequences beyond the company itself, including damage to market confidence, shareholder wealth, and the reputation of India's corporate regulatory framework. Because of this, the Satyam episode became a catalyst for legal and institutional reform in India.²²

After such scandals, India undertook several reforms to strengthen the corporate governance regime. The Companies Act, 2013, introduced a more comprehensive framework for corporate regulation, with greater emphasis on director responsibility, internal controls, audit committees, independent directors, and disclosure obligations. It also created stricter provisions for fraud-related offences and enhanced corporate accountability mechanisms. In

¹⁵ Institute of Company Secretaries of India, Corporate Governance Study Material.

¹⁶ Id.

¹⁷ Id.

¹⁸ Id.

¹⁹ SSRN, Corporate Governance Failures in India.

²⁰ Satyam Computer Services Ltd. Scam (2009).

²¹ Id.

²² SSRN, Post-Satyam Corporate Governance Reforms.

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addition, regulatory institutions such as the Securities and Exchange Board of India²³ strengthened governance norms for listed companies, while the establishment of the National Financial Reporting Authority marked an important step toward improving audit quality and oversight. These reforms reflected the growing recognition that effective corporate governance requires not only rules on paper but also systems that can detect wrongdoing early and respond decisively when irregularities occur.²⁴

Another important development after major fraud cases was the increased focus on the role of independent directors and audit committees.²⁵ Independent directors were expected to act as a check on management power and ensure that the interests of minority shareholders and other stakeholders were protected. Audit committees were made central to reviewing financial statements, internal financial controls, and auditor performance.²⁶ However, the practical effectiveness of these mechanisms has often been debated.²⁷ In several cases, questions have been raised about whether independent directors are truly independent in practice, or whether they function more as formal appointees with limited influence. Similarly, the auditor's role has come under closer scrutiny, since financial scandals often involve failures in detecting or reporting manipulations in time. These concerns show that governance reforms are meaningful only when supported by genuine professionalism, accountability, and enforcement.

Despite important reforms, corporate governance in India continues to face challenges.²⁸ Fraud and mismanagement do not disappear merely because new legal provisions are introduced. In many situations, the problem lies in weak implementation, poor compliance culture, inadequate enforcement, and limited accountability of those in positions of power.²⁹ A company may have an independent board, an audit committee, and prescribed disclosures, yet still suffer governance failure if these structures are treated as formalities rather than real safeguards.³⁰ This is why corporate governance reform must be studied not only from a legal perspective but also from a practical one. It is necessary to examine whether post-fraud reforms have actually improved transparency, reduced manipulation, strengthened investor protection, and made corporate leadership more accountable.

²³ Securities and Exchange Board of India, SEBI (LODR) Regulations, 2015 (India).

²⁴ National Financial Reporting Authority, Establishment under Companies Act, 2013 (India).

²⁵ SSRN, Corporate Governance Reform Analysis.

²⁶ Companies Act, 2013, § 177 (India).

²⁷ SSRN, Role of Independent Directors in India.

²⁸ SSRN, Challenges in Corporate Governance India.

²⁹ Id.

³⁰ Id.

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This research paper, therefore, examines the corporate governance reforms introduced in India after major fraud cases, with special focus on their effectiveness and limitations.³¹ It seeks to understand how legal and regulatory responses evolved after scandals such as Satyam, what changes were introduced to the company law framework, and whether these changes have been sufficient to prevent similar failures in the future.³² The paper also considers whether India's corporate governance system has become more transparent and robust, or whether important structural weaknesses still remain. By critically analysing both the reforms and their implementation, this study aims to assess the extent to which Indian company law has succeeded in addressing the governance failures revealed by major corporate frauds.

In essence, this topic is important because corporate governance lies at the heart of trust in the corporate sector.³³ Without trust, investors hesitate, markets weaken, and companies lose credibility.³⁴ The study of post-fraud reforms in India is therefore not just a legal inquiry, but also a question of whether the corporate system can truly ensure fairness, accountability, and sustainable business conduct.³⁵

Meaning and importance of corporate governance

Corporate governance refers to the system by which companies are directed, controlled, and monitored in a manner that ensures transparency, accountability, fairness, and ethical conduct³⁶. It is one of the most important concepts in company law because it governs the relationship between a company's management, its board of directors, shareholders, and other stakeholders.³⁷ In simple terms, corporate governance determines how decisions are taken within a company and whether those decisions serve the best interests of the company as a whole.³⁸ In the modern corporate world, where ownership and management are usually separated, corporate governance plays a critical role in ensuring that those who control the company do not misuse their position for personal gain.³⁹ Instead, they are expected to act responsibly, honestly, and in accordance with legal and ethical standards.

The meaning of corporate governance goes beyond mere compliance with statutory provisions. It includes the broader framework of rules, practices, and institutional

³¹ SSRN, Corporate Governance Reform Studies.

³² Id.

³³ Institute of Company Secretaries of India, Governance Principles.

³⁴ Id.

³⁵ SSRN, Corporate Governance and Market Trust.

³⁶ Institute of Company Secretaries of India, Corporate Governance Study Material.

³⁷ Id.

³⁸ Id.

³⁹ Id.

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mechanisms that guide corporate behaviour.⁴⁰ A company may technically comply with the law, but if it lacks transparency, accountability, or proper board supervision, it cannot be said to have good governance.⁴¹ Corporate governance, therefore, focuses not only on what is legally required but also on how corporate power is exercised in practice.⁴² It is concerned with how directors perform their duties, how financial information is disclosed, how shareholders are treated, how internal controls function, and how risks are managed. In this sense, corporate governance is not just a legal concept but also an ethical and managerial one. The importance of corporate governance lies first in the protection of shareholder interests.⁴³ In a company, shareholders invest capital but are usually not involved in day-to-day management. Because of this separation, there is always a risk that management may act in its own interest rather than in the interest of shareholders. Good corporate governance reduces this risk by creating checks and balances through the board of directors, audit committees, independent directors, and disclosure obligations.⁴⁴ It ensures that shareholders receive accurate information, have a fair opportunity to participate in decision-making, and are protected from oppression or mismanagement.⁴⁵ Another major importance of corporate governance is that it promotes transparency.⁴⁶ Transparent companies are more likely to gain the trust of investors, creditors, regulators, and the public. When financial statements are accurate, disclosures are timely, and board decisions are properly recorded, stakeholders can make informed decisions. Transparency is especially important in capital markets, where investor confidence depends on the reliability of corporate information. A company that follows good governance practices is generally viewed as more credible and stable than one that conceals information or avoids accountability. Corporate governance is also essential for preventing fraud and misconduct.⁴⁷ Many corporate scandals across the world have shown that weak governance can lead to serious financial manipulation, abuse of authority, and loss of public trust.⁴⁸ Strong governance

⁴⁰ Id.

⁴¹ Id.

⁴² Id.

⁴³ Companies Act, 2013 (India).

⁴⁴ Securities and Exchange Board of India, Corporate Governance Guidelines.

⁴⁵ Companies Act, 2013, §§ 241–242 (India).

⁴⁶ Institute of Company Secretaries of India, Governance Principles.

⁴⁷ SSRN, Corporate Governance and Fraud Prevention Studies.

⁴⁸ Id.

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structures help detect irregularities at an early stage and reduce the chances of fraud.⁴⁹ Internal controls, independent audits, vigilant directors, and effective compliance mechanisms all contribute to this objective. In this way, corporate governance acts as a preventive system that protects both the company and the market from the harmful consequences of corporate wrongdoing.

The importance of corporate governance is also linked to the growth and sustainability of a business.⁵⁰ Companies that follow sound governance standards are usually better managed and more capable of handling risks. They tend to make wiser strategic decisions, attract investment more easily, and build long-term value. Good governance improves reputation, and reputation is one of the most valuable assets a company can have. In contrast, companies that suffer from poor governance may face legal disputes, regulatory penalties, market distrust, and even collapse.⁵¹ Therefore, corporate governance is not only about legal compliance but also about the long-term survival and success of the enterprise.

From the perspective of stakeholders, corporate governance ensures fairness.⁵² The modern company is not concerned only with shareholders, but also with employees, creditors, consumers, and society at large.⁵³ A well-governed company considers the interests of all these groups while making decisions.⁵⁴ This broader approach is important because companies operate within society and affect many people beyond their owners. Good governance encourages responsible behaviour, ethical business practices, and a balance between profit and public interest.

In the Indian context, corporate governance has gained great importance because of several major corporate frauds and governance failures.⁵⁵ These incidents exposed weaknesses in board supervision, audit mechanisms, and regulatory enforcement, showing that legal rules alone are not enough unless they are supported by a strong institutional culture and accountability.⁵⁶ As a result, corporate governance has become a central concern in company law reforms, especially under the Companies Act, 2013⁵⁷ and related regulatory frameworks. It is now seen as a necessary foundation for corporate integrity, investor protection, and economic confidence.

⁴⁹ Id.

⁵⁰ Institute of Company Secretaries of India, Corporate Governance Benefits.

⁵¹ SSRN, Corporate Governance Failures.

⁵² Institute of Company Secretaries of India, Stakeholder Governance Model.

⁵³ Id.

⁵⁴ Id.

⁵⁵ Satyam Computer Services Ltd. Scam (2009).

⁵⁶ SSRN, Post-Fraud Corporate Governance Analysis.

⁵⁷ Companies Act, 2013 (India).

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Brief note on major fraud cases

Major fraud cases have played a very important role in shaping the understanding of corporate governance and company law across the world.⁵⁸ They expose how companies can fail when there is weak supervision, poor internal control, ineffective auditing, and a lack of accountability at the top level.⁵⁹ In simple terms, these cases show that fraud is not usually the result of one person's action alone; it often grows because boards, auditors, regulators, and management fail to detect warning signs in time.⁶⁰ For a company law paper, such cases are useful because they show why corporate governance rules are necessary and how legal reforms are often introduced only after serious financial damage has already occurred.

One of the most famous fraud cases in India is the Satyam scandal.⁶¹ In 2009, the company's chairman admitted that the company's accounts had been falsified for years. The fraud involved inflating cash and bank balances, overstating profits, and showing fake revenues. The amount involved was reported to be around Rs 7,000 crore, making it one of the biggest corporate frauds in India. The scandal badly damaged investor confidence and raised serious questions about the role of directors, auditors, and regulatory oversight. It also became a turning point in Indian company law because it led to greater focus on transparency, disclosure, and board accountability.⁶²

Another well-known case is Enron in the United States.⁶³ Enron used complex accounting methods to hide debt and make the company appear financially strong. When the fraud came out, the company collapsed, causing huge losses to investors and employees. The scandal is often described as one of the biggest corporate failures in history, with losses estimated at about \$74 billion. It also led to one of the most important corporate law reforms in the U.S.⁶⁴, showing that fraud cases can directly influence legal change.

Similarly, WorldCom committed large-scale accounting fraud by improperly recording expenses as assets, which artificially increased profits.⁶⁵ The fraud was estimated at around \$11 billion, and the scandal caused enormous losses to investors and employees. It also destroyed trust in corporate reporting and demonstrated how serious accounting manipulation can mislead the market for a long time if proper checks are absent. Another major

⁵⁸ SSRN, Corporate Fraud and Governance Studies.

⁵⁹ Id.

⁶⁰ Id.

⁶¹ Satyam Computer Services Ltd. Scam (2009).

⁶² SSRN, Post-Satyam Corporate Governance Reforms.

⁶³ Enron Corp. Scandal (2001).

⁶⁴ Sarbanes-Oxley Act, 2002 (U.S.).

⁶⁵ WorldCom Accounting Fraud (2002).

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international case is the Bernie Madoff Ponzi scheme,⁶⁶ which is considered one of the largest financial frauds ever discovered. The fraud was estimated at about \$65 billion, showing how financial deception can continue for years if people blindly trust the system and regulators fail to act early enough.

More recently, the Wirecard scandal in Germany⁶⁷ showed that even modern financial technology companies are not immune to fraud. The company claimed to have large amounts of cash that later turned out to be missing. The missing amount was around €1.9 billion, and the collapse shook confidence in the fintech and auditing sectors. This case is important because it shows that fraud is not limited to traditional companies; it can also happen in high-tech and fast-growing businesses if governance is weak.

These major fraud cases are important for company law because they reveal common patterns:⁶⁸ false financial reporting, weak board supervision, lack of independent judgment, poor audit quality, and failure of regulatory monitoring. They also show that fraud does not affect only one company; it harms shareholders, employees, creditors, and the market as a whole. Large frauds reduce trust in the corporate sector and can affect the economy by discouraging investment. For that reason, such scandals usually lead to stricter rules on disclosure, auditing, director responsibility, and corporate accountability.⁶⁹

Governance failures revealed by those cases

Major fraud cases such as Satyam, Enron, PNB-Nirav Modi, and the alleged diversion cases involving Malvinder and Shivinder Singh reveal serious failures in corporate governance.⁷⁰ These cases are important because they show that fraud is usually not caused by one isolated act, but by repeated breakdowns in board supervision, auditing, internal controls, and ethical responsibility.⁷¹ In the Satyam scandal, the fraud of about Rs 7,000 crore exposed how false accounting and weak oversight could mislead investors for years.⁷² It also showed that a company may appear highly successful on the outside while hiding serious internal misconduct.⁷³

⁶⁶ Bernie Madoff Ponzi Scheme (2008).

⁶⁷ Wirecard AG Scandal (2020).

⁶⁸ SSRN, Corporate Fraud Pattern Analysis.

⁶⁹ SSRN, Corporate Governance Reforms after Fraud.

⁷⁰ SSRN, Corporate Governance Failures and Fraud Studies.

⁷¹ Id.

⁷² Satyam Computer Services Ltd. Scam (2009).

⁷³ Institute of Company Secretaries of India, Role of Independent Directors.

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One of the most important governance failures revealed by these cases is weak board oversight.⁷⁴ The board of directors is supposed to act as a watchdog and protect the interests of shareholders, but in several major scandals, the board either failed to notice irregularities or did not act against them in time.⁷⁵ In the Satyam case, concerns arose from the proposed investment in Maytas companies, which were linked to the promoter's family.⁷⁶ This created a serious conflict of interest and showed how promoter control can influence corporate decisions. Such incidents prove that independent directors must do more than simply sit on the board; they must actively question management and prevent misuse of power.

Another major failure is in the area of auditing and financial disclosure.⁷⁷ In scandals like Satyam and Enron, the financial statements did not reflect the real position of the company. In Enron, hidden debt and off-balance-sheet transactions created a false picture of financial strength, which eventually led to one of the biggest corporate collapses in history.⁷⁸ The fall of Arthur Andersen after the Enron scandal also showed how serious auditor negligence can be.⁷⁹ These cases make it clear that reliable financial reporting is the foundation of corporate governance.⁸⁰ If the accounts are false or manipulated, investors, creditors, and regulators cannot make informed decisions.

These scandals also reveal how promoters and senior executives can misuse corporate power for personal gain.⁸¹ In the PNB-Nirav Modi case, unauthorised Letters of Undertaking allegedly caused losses of around Rs 11,400 crore,⁸² showing how weak internal checks can be exploited on a massive scale. Similarly, allegations in the Malvinder and Shivinder Singh matter involved the diversion of nearly \$2 billion,⁸³ reflecting how promoter control without proper supervision can lead to serious misuse of company resources. These cases show that ownership and management must be balanced by strong legal and institutional checks,⁸⁴ because unchecked control often leads to fraud, concealment, and self-dealing.

From a legal perspective, these cases highlight the need for stronger corporate law and better enforcement.⁸⁵ They show why directors must act with care, diligence, and good faith,⁸⁶ and

⁷⁴ SSRN, Role of Board in Corporate Governance.

⁷⁵ Id.

⁷⁶ Satyam-Maytas Deal Controversy (2009).

⁷⁷ SSRN, Auditing Failures in Corporate Scandals.

⁷⁸ Enron Corp. Scandal (2001).

⁷⁹ Arthur Andersen Collapse (2002).

⁸⁰ Institute of Company Secretaries of India, Financial Reporting Standards.

⁸¹ SSRN, Promoter Misconduct in Corporate Governance.

⁸² Punjab National Bank v. Nirav Modi Fraud Case (2018).

⁸³ Malvinder Singh & Shivinder Singh Case (2019).

⁸⁴ Companies Act, 2013 (India).

⁸⁵ SSRN, Corporate Law Reform Analysis.

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why auditors must remain independent and vigilant.⁸⁷ They also explain why reforms under modern company law became necessary, especially in relation to disclosure, accountability, and fraud prevention. The Satyam scandal was a turning point in India because it showed that the existing framework was not enough to prevent large-scale corporate wrongdoing.⁸⁸ Similarly, the Enron scandal became a global example of how weak governance can destroy even the most powerful corporations.⁸⁹

Reforms introduced in India

India introduced several important reforms in corporate governance and company law, especially after major frauds exposed serious weaknesses in transparency, accountability, and board supervision.⁹⁰ The most significant shift came after the Satyam scandal,⁹¹ which showed that legal compliance alone was not enough unless companies were also governed with real ethical responsibility and effective oversight.⁹² In response, India moved toward a stricter and more structured governance framework aimed at protecting investors, improving disclosures, and preventing misuse of corporate power.⁹³

One of the biggest reforms was the Companies Act, 2013,⁹⁴ which replaced the older 1956 law⁹⁵ and introduced stronger governance standards. It placed greater responsibility on directors and officers, expanded the concept of corporate fraud, and made compliance more detailed and enforceable.⁹⁶ The Act strengthened the role of the board, introduced clearer duties for directors, and required better financial reporting and disclosure.⁹⁷ It also made provisions for class action suits,⁹⁸ which gave shareholders and depositors a stronger remedy against mismanagement. Another important change was the increased emphasis on independent directors,⁹⁹ who were expected to act as a check on promoter control and protect the interests of minority shareholders.

⁸⁶ Companies Act, 2013, § 166 (India).

⁸⁷ Companies Act, 2013, § 143 (India).

⁸⁸ SSRN, Post-Satyam Legal Reforms.

⁸⁹ Enron Corp. Scandal (2001).

⁹⁰ SSRN, Corporate Governance Reforms in India.

⁹¹ Satyam Computer Services Ltd. Scam (2009).

⁹² SSRN, Post-Satyam Governance Analysis.

⁹³ SSRN, Corporate Governance Reform Framework.

⁹⁴ Companies Act, 2013 (India).

⁹⁵ Companies Act, 1956 (India).

⁹⁶ Companies Act, 2013 (India).

⁹⁷ Companies Act, 2013 (India).

⁹⁸ Companies Act, 2013, § 245 (India).

⁹⁹ Companies Act, 2013, § 149 (India).

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The Act also strengthened audit committees and internal controls.¹⁰⁰ Audit committees became more central to reviewing financial statements, overseeing auditors, and monitoring risk management.¹⁰¹ This was important because many frauds had happened due to weak audit scrutiny and poor internal checks.¹⁰² The law also introduced provisions relating to the rotation of auditors, with the aim of reducing excessive familiarity between companies and audit firms. In addition, penalties for fraud and non-compliance were made more serious,¹⁰³ reflecting the idea that corporate misconduct should not be treated as a minor technical violation.

Another major reform area was the regulation of listed companies through the securities market framework.¹⁰⁴ The SEBI Listing Obligations and Disclosure Requirements framework strengthened disclosure norms, board composition rules, and shareholder protection measures. It required companies to maintain greater transparency in reporting and to improve the standards for corporate governance in listed entities.¹⁰⁵ This was especially important because listed companies affect public investors directly, and any governance failure can have wide market consequences.¹⁰⁶ SEBI also pushed for better treatment of minority shareholders and more accountable board practices.¹⁰⁷

A further important reform was the creation of the National Financial Reporting Authority (NFRA).¹⁰⁸ This was introduced to improve the quality and independence of audit oversight in India. The idea behind NFRA was that audit regulation should not depend only on self-regulation by the profession, because corporate fraud cases had shown that audit failures can have very serious consequences. NFRA was therefore designed to act as a stronger supervisory body for auditors and accounting standards, particularly in cases involving listed companies and large entities.

India also introduced reforms to improve corporate compliance and ease of doing business.¹⁰⁹ Over time, the Ministry of Corporate Affairs moved toward digital filing, electronic approvals, and simplified compliance procedures.¹¹⁰ The introduction of systems like C-

¹⁰⁰ Companies Act, 2013, § 177 (India).

¹⁰¹ Companies Act, 2013, § 177 (India).

¹⁰² SSRN, Audit Failures in Corporate Fraud.

¹⁰³ Companies Act, 2013, § 447 (India).

¹⁰⁴ Securities and Exchange Board of India, SEBI (LODR) Regulations, 2015 (India).

¹⁰⁵ Securities and Exchange Board of India, SEBI (LODR) Regulations, 2015 (India).

¹⁰⁶ SSRN, Investor Protection in Capital Markets.

¹⁰⁷ Securities and Exchange Board of India, Corporate Governance Norms.

¹⁰⁸ Companies Act, 2013, § 132 (India).

¹⁰⁹ Ministry of Corporate Affairs, Ease of Doing Business Reforms (India).

¹¹⁰ Ministry of Corporate Affairs, Digital Filing Systems.

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PACE¹¹¹ helped streamline company exit procedures and reduce delays in regulatory processing. More recently, there has also been a push toward dematerialisation of shares,¹¹² which improves transparency and reduces the risk of forgery, duplicate shareholding, and paper-based fraud. These reforms are important because governance is not only about punishment after fraud; it is also about creating systems that prevent irregularities in the first place.

Another important development was the greater recognition of shareholder rights.¹¹³ The law now gives more importance to minority protection, investor participation, and accountability of management.¹¹⁴ Companies are expected to maintain better disclosures, respond to stakeholder concerns, and avoid oppressive or prejudicial conduct.¹¹⁵ This marks a shift from a management-dominated model to a more balanced system of corporate decision-making.¹¹⁶ The overall objective of these reforms was to create a corporate environment where power is checked by transparency, and where the interests of investors, creditors, and other stakeholders are given real importance.

These reforms are significant because they show that India responded to corporate fraud not merely by punishing wrongdoers, but by redesigning the governance structure itself.¹¹⁷ The reforms after Satyam and other scandals were meant to improve trust in the corporate sector, attract investment, and reduce the possibility of future fraud.¹¹⁸ However, their effectiveness still depends on enforcement, genuine independence of directors, quality of audits, and the willingness of regulators to act promptly.¹¹⁹ In this sense, India's corporate governance reforms represent an important legal evolution, but also an ongoing challenge in practice.

Critical analysis of whether reforms succeeded

The reforms introduced in India after major corporate frauds were a necessary and important response to the weaknesses exposed by scandals such as Satyam and other governance failures.¹²⁰ They clearly improved the legal framework by making corporate governance more structured, formal, and accountable.¹²¹ The Companies Act, 2013,¹²² stronger disclosure

¹¹¹ Ministry of Corporate Affairs, C-PACE Initiative.

¹¹² Securities and Exchange Board of India, Dematerialisation Reforms.

¹¹³ Companies Act, 2013 (India).

¹¹⁴ Companies Act, 2013, §§ 241–242 (India).

¹¹⁵ Companies Act, 2013 (India).

¹¹⁶ SSRN, Shareholder Rights in India.

¹¹⁷ SSRN, Corporate Governance Reform Impact.

¹¹⁸ SSRN, Corporate Governance after Fraud Cases.

¹¹⁹ SSRN, Enforcement Challenges in India.

¹²⁰ SSRN, Corporate Governance Failures in India.

¹²¹ SSRN, Evolution of Corporate Governance Framework.

¹²² Companies Act, 2013 (India).

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norms, stricter duties for directors and auditors,¹²³ audit committee requirements,¹²⁴ and the creation of institutions like NFRA¹²⁵ all reflect a serious attempt to prevent repetition of large-scale frauds. These reforms also signalled a shift in Indian company law from a purely compliance-based approach to one that emphasises transparency, accountability, and stakeholder protection.¹²⁶ In that sense, the reforms were a success because they changed the legal landscape and made corporate misconduct easier to detect and punish.

However, if the question is whether these reforms fully succeeded in stopping governance failures, the answer is no. The real weakness lies not in the absence of rules, but in the gap between law on paper and law in practice. Many companies continue to treat corporate governance as a box-ticking exercise rather than a genuine system of accountability.¹²⁷ Independent directors, for example, were introduced to strengthen oversight and reduce promoter dominance,¹²⁸ but in practice their effectiveness is often limited. In many companies, these directors do not have enough real power, information, or willingness to challenge management. Since they are frequently appointed by the same controlling group they are expected to supervise, their independence can become formal rather than substantive.¹²⁹ This weakens the very purpose of the reform.

The audit system also shows mixed results. While audit regulation has become stricter, financial irregularities and accounting manipulation have not disappeared. This suggests that stricter rules alone cannot ensure honesty if auditors fail to exercise real professional scepticism. In some cases, auditors may be too dependent on management, too tolerant of irregularities, or too focused on maintaining client relationships. When that happens, the audit process becomes less of a safeguard and more of a procedural formality. Therefore, although audit reform was a major step forward, it has not completely solved the problem of false reporting or hidden liabilities.

Another important limitation is that the reforms have worked better in companies with stronger institutional structures than in promoter-driven businesses. In many Indian companies, control remains concentrated in the hands of promoters or a small group of insiders. In such a setting, even a well-drafted law cannot fully prevent misuse of power

¹²³ Companies Act, 2013, §§ 166, 143 (India).

¹²⁴ Companies Act, 2013, § 177 (India).

¹²⁵ Companies Act, 2013, § 132 (India).

¹²⁶ SSRN, Corporate Governance Reform Philosophy.

¹²⁷ SSRN, Corporate Compliance Behaviour Studies.

¹²⁸ SSRN, Role of Independent Directors in India.

¹²⁹ SSRN, Promoter Influence in Corporate Governance.

unless the culture of governance changes. Minority shareholders may receive legal rights, but they may still struggle to influence real decisions.¹³⁰ This means that the reforms have improved formal governance standards, but they have not fully altered the deeper structure of corporate control in India.¹³¹

Regulatory enforcement is another area where the reforms have fallen short.¹³² A law can only be effective if regulators act promptly, consistently, and independently. In practice, enforcement often remains slow, uneven, or reactive. Many frauds are detected only after serious damage has already occurred. This shows that regulatory vigilance is still not strong enough to stop misconduct at an early stage. If companies know that enforcement is weak or delayed, the deterrent effect of the law is reduced. As a result, some corporations continue to find ways to bypass the spirit of governance reforms while formally complying with the rules.¹³³

The reforms have also had a more visible effect on large listed companies than on the broader corporate sector. Smaller companies, closely held firms, and family-controlled enterprises may not face the same level of scrutiny, even though governance risks can be just as serious there. This creates an uneven impact of reform. In other words, the framework is stronger than before, but its practical reach is still limited.¹³⁴ Corporate governance in India has improved, but not evenly or completely.¹³⁵

In conclusion, the reforms introduced in India after major fraud cases succeeded in strengthening the legal architecture of corporate governance, improving disclosures, and increasing accountability in principle. But they did not fully succeed in eliminating the deeper causes of fraud, such as weak board independence, ineffective auditing, promoter dominance, and poor enforcement.¹³⁶ Their biggest achievement is that they raised the standard of governance and created a stronger basis for action. Their biggest limitation is that they did not fully change the culture of compliance and accountability within companies. So, the correct conclusion is that the reforms were important and necessary, but only partially successful. They represent a major step forward in Indian company law, but they still require

¹³⁰ Companies Act, 2013, §§ 241–242 (India).

¹³¹ SSRN, Corporate Control Structures in India.

¹³² SSRN, Regulatory Enforcement Challenges.

¹³³ SSRN, Corporate Law Compliance Practices.

¹³⁴ SSRN, Effectiveness of Governance Framework.

¹³⁵ SSRN, Corporate Governance Performance in India.

¹³⁶ SSRN, Root Causes of Corporate Fraud.

stronger enforcement, greater independence, and a more genuine commitment to ethical corporate behaviour.¹³⁷

Suggestions for further improvement

Although India has introduced several important reforms to strengthen corporate governance after major fraud cases, there is still a need for further improvement in both the legal framework and its practical implementation.¹³⁸ One of the most important steps is to make the role of independent directors more effective in reality, not just in form.¹³⁹ At present, independent directors are expected to act as a check on promoter control and management excesses,¹⁴⁰ but their independence is often limited by appointment structures, information asymmetry, and pressure from dominant shareholders. To improve this, their selection process should be made more transparent, their accountability should be clearly defined, and they should receive better access to independent information and professional support. Only then can they genuinely perform their oversight role and protect minority shareholders.¹⁴¹

Another important area for improvement is audit regulation.¹⁴² Major frauds have shown that weak auditing can allow serious financial manipulation to continue undetected for years. Therefore, auditor independence must be strengthened further. Audit firms should face stricter conflict-of-interest restrictions, and there should be closer scrutiny of long-term client relationships that may reduce objectivity.¹⁴³ In addition, audit quality reviews should be more frequent and rigorous, and auditors should be held accountable when they ignore clear warning signs. Strengthening the audit function is essential because accurate financial reporting remains the foundation of corporate governance.

There is also a need for better enforcement by regulatory authorities. Even the best laws lose their value if violations are not detected early or punished promptly. Regulators should therefore adopt a more proactive approach, using technology, data analysis, and real-time monitoring to identify suspicious transactions and abnormal patterns in corporate behaviour.¹⁴⁴ Enforcement should not be limited to post-fraud punishment; it should also focus on early detection and prevention. Faster investigation, stricter penalties, and visible

¹³⁷ SSRN, Future of Corporate Governance in India.

¹³⁸ SSRN, Corporate Governance Reform Analysis in India.

¹³⁹ Companies Act, 2013, § 149 (India).

¹⁴⁰ Companies Act, 2013, § 149 (India).

¹⁴¹ Companies Act, 2013, §§ 241–242 (India).

¹⁴² SSRN, Audit Regulation in Corporate Governance.

¹⁴³ SSRN, Audit Firm Rotation and Objectivity.

¹⁴⁴ SSRN, Technology in Corporate Regulation.

action against wrongdoing would increase deterrence and improve compliance culture across the corporate sector.¹⁴⁵

Further improvement is also needed in shareholder protection and corporate transparency. Minority shareholders often have limited influence in promoter-controlled companies, so their rights should be strengthened through better disclosure, easier access to remedies, and more effective class action mechanisms. Companies should also be encouraged to go beyond basic legal compliance and adopt a stronger culture of ethical governance.¹⁴⁶ This includes clear internal codes of conduct, whistleblower protection, board training, and regular evaluation of governance practices. Corporate governance should be treated not as a formal obligation, but as a core element of responsible business conduct.¹⁴⁷

Conclusion

Although India has introduced several important reforms to strengthen corporate governance after major fraud cases, there is still a need for further improvement in both the legal framework and its practical implementation. One of the most important steps is to make the role of independent directors more effective in reality, not just in form. At present, independent directors are expected to act as a check on promoter control and management excesses, but their independence is often limited by appointment structures, information asymmetry, and pressure from dominant shareholders. To improve this, their selection process should be made more transparent, their accountability should be clearly defined, and they should receive better access to independent information and professional support. Only then can they genuinely perform their oversight role and protect minority shareholders.

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There is also a need for better enforcement by regulatory authorities. Even the best laws lose their value if violations are not detected early or punished promptly. Regulators should

¹⁴⁵ SSRN, Deterrence in Corporate Law.

¹⁴⁶ Institute of Company Secretaries of India, Ethical Governance Framework.

¹⁴⁷ SSRN, Corporate Governance and Ethical Business Practices.

therefore adopt a more proactive approach, using technology, data analysis, and real-time monitoring to identify suspicious transactions and abnormal patterns in corporate behaviour. Enforcement should not be limited to post-fraud punishment; it should also focus on early detection and prevention. Faster investigation, stricter penalties, and visible action against wrongdoing would increase deterrence and improve compliance culture across the corporate sector.

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