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CORPORATE GOVERNANCE REFORMS UNDER THE COMPANIES ACT, 2013: AN ASSESSMENT OF THEIR IMPACT ON BUSINESS MANAGEMENT PRACTICES IN INDIA

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Abstract

The Companies Act, 2013 (the Act) represented the most comprehensive overhaul of Indian corporate law since 1956, introducing a raft of governance-oriented provisions including mandatory independent directors, gender diversity on boards, statutory Corporate Social Responsibility (CSR) spending under Section 135, expanded related-party transaction (RPT) safeguards, a strengthened audit and internal-control architecture, a class-action mechanism, and new regulatory institutions such as the National Financial Reporting Authority (NFRA) and the National Company Law Tribunal (NCLT). This paper examines the extent to which these reforms have altered actual business management practices in Indian companies over the decade following implementation. Adopting a mixed-methods design that combines a review of secondary regulatory data (board composition statistics, CSR expenditure trends, and NCLT case disposal records) with a structured perception survey of corporate executives and company secretaries (n = 150, illustrative), the study finds that governance reforms have produced measurable but uneven improvements. Board accountability, CSR institutionalisation, and financial disclosure quality show the strongest gains, while related-party transaction oversight and whistle-blower mechanisms show comparatively modest improvement, particularly among smaller listed and unlisted public companies. The paper argues that while the Act has succeeded in formalising governance structures (de jure compliance), the translation of these structures

into substantive changes in managerial behaviour (de facto compliance) remains constrained by enforcement capacity, promoter-dominated ownership structures, and a compliance-driven rather than values-driven organisational culture. The paper concludes with policy recommendations for strengthening enforcement, recalibrating CSR reporting, and embedding governance metrics into managerial performance evaluation.

Keywords: *Companies Act 2013; corporate governance; independent directors; corporate social responsibility; board diversity; related party transactions; business management practices; India*

1. Introduction

1.1 Background

Corporate governance in India underwent a paradigm shift with the enactment of the Companies Act, 2013, which replaced the Companies Act, 1956 and came into force in phases beginning April 2014. Whereas the 1956 Act was primarily a compliance-oriented statute concerned with company formation, capital structure, and dissolution, the 2013 Act embedded governance as a structural objective in its own right. This shift was driven by a confluence of factors: the global financial crisis of 2008, high-profile corporate frauds in India (most notably the Satyam Computer Services scandal of 2009), recommendations of expert committees such as the J.J. Irani Committee, and the broader international convergence toward stakeholder-oriented governance frameworks influenced by OECD principles and the UK Corporate Governance Code.

The Act introduced several governance innovations that had no direct precedent in Indian company law: a statutory requirement for independent directors on the boards of specified classes of companies (Section 149), mandatory appointment of at least one woman director for prescribed companies, a globally unprecedented mandate requiring companies meeting specified financial thresholds to spend at least two percent of average net profits on Corporate Social Responsibility activities (Section 135), enhanced disclosure and approval requirements for related-party transactions (Section 188), rotation of statutory auditors (Section 139), a vigil mechanism or whistle-blower policy (Section 177), provisions for class-action suits (Section 245), and the creation of new regulatory and adjudicatory bodies including the National Company Law Tribunal (NCLT), the National Company Law Appellate Tribunal (NCLAT), the Serious Fraud Investigation Office (SFIO) on a statutory footing, and, subsequently, the National Financial Reporting Authority (NFRA).

More than a decade after the Act's commencement, a substantial body of regulatory data, corporate disclosures, and scholarly commentary has accumulated, making it possible to move beyond an analysis of the legal text toward an empirical assessment of how these provisions have been absorbed into the operational fabric of Indian businesses.

1.2 Statement of the Problem

While the Companies Act, 2013 has been widely discussed from a legal and regulatory compliance standpoint, there remains comparatively limited empirical research on the extent to which the Act's governance provisions have translated into changed management practices at the firm level — that is, into altered board behaviour, decision-making processes, risk oversight, stakeholder engagement, and managerial accountability. A gap persists between formal (de jure) compliance, which is comparatively easy to observe through disclosures and filings, and substantive (de facto) compliance, which requires assessment of actual organisational behaviour. This paper addresses that gap.

1.3 Research Objectives

1. To examine the key corporate governance provisions introduced or substantially strengthened under the Companies Act, 2013.
2. To assess trends in board composition, CSR expenditure, and related governance indicators among Indian companies in the years following implementation of the Act.
3. To evaluate the perceived impact of these reforms on day-to-day business management practices, drawing on a structured survey of corporate executives, company secretaries, and independent directors.
4. To identify the structural, institutional, and cultural factors that mediate or constrain the translation of governance reforms into substantive managerial change.
5. To propose policy and practice-level recommendations for strengthening the effectiveness of governance reforms going forward.

1.4 Research Questions

- RQ1: To what extent have the board composition requirements of the Companies Act, 2013 changed the structure and functioning of corporate boards in India?
- RQ2: What has been the trajectory of CSR expenditure and institutionalisation since the introduction of Section 135, and how has this affected internal management processes?

- RQ3: How do corporate executives perceive the impact of governance reforms on accountability, transparency, risk management, and stakeholder relations within their organisations?
- RQ4: What factors explain variation in the degree of substantive (as opposed to merely formal) compliance across firms of different sizes and ownership structures?

1.5 Significance and Scope of the Study

This study is significant for three audiences. For policymakers and regulators (the Ministry of Corporate Affairs, SEBI, and the Institute of Company Secretaries of India), the findings offer an evidence base for recalibrating enforcement priorities and disclosure formats. For corporate practitioners, the study identifies which governance mechanisms have demonstrably altered managerial behaviour and which remain largely symbolic, informing internal governance audits. For the academic community, the paper contributes to the broader literature on law-in-action versus law-on-the-books in emerging market corporate governance. The scope of the study is confined to companies incorporated and operating in India and registered under the Companies Act, 2013, with particular reference to listed companies (where disclosure data is most accessible) while also drawing on survey responses from professionals associated with unlisted public companies and large private companies subject to CSR and related provisions.

2. Literature Review

2.1 Theoretical Foundations of Corporate Governance

The theoretical underpinnings of corporate governance research draw principally on agency theory, stakeholder theory, and resource dependence theory. Agency theory, originating in the work of Jensen and Meckling, frames governance mechanisms — particularly independent boards, audit committees, and disclosure requirements — as instruments for reducing the costs arising from the separation of ownership and control. Stakeholder theory, associated with Freeman and subsequently elaborated by Donaldson and Preston, broadens the governance lens beyond shareholder-manager relations to encompass employees, communities, creditors, and the environment, a perspective directly relevant to the CSR mandate under Section 135. Resource dependence theory views the board as a mechanism for managing external dependencies, lending support to provisions encouraging diversity of director backgrounds and expertise.

In the Indian context, these theories interact with the distinctive feature of concentrated promoter ownership. Unlike the dispersed-ownership Anglo-American model in which the

principal agency problem is between managers and shareholders, the dominant agency problem in Indian listed companies is typically characterised as a Type II problem — between controlling (promoter) shareholders and minority shareholders. This has important implications for how governance reforms are expected to function: provisions such as independent directors and related-party transaction approvals are designed less to discipline professional managers and more to constrain the discretion of controlling shareholders.

2.2 Evolution of Corporate Governance Regulation in India

India's modern corporate governance framework can be traced through several landmark developments prior to the 2013 Act. The Confederation of Indian Industry's voluntary code of 1998, the Kumar Mangalam Birla Committee report of 1999 (which led to the introduction of Clause 49 of the listing agreements), the Naresh Chandra Committee report of 2002, and the Narayana Murthy Committee report of 2003 progressively expanded disclosure and board-independence requirements for listed companies. However, these reforms operated largely through SEBI's listing agreement framework rather than through company law itself, meaning unlisted public companies and private companies — which collectively account for the majority of registered companies in India — remained largely outside their ambit.

The Companies Act, 2013 marked a departure by embedding several governance requirements directly into statute, thereby extending their reach to a much wider population of companies based on prescribed financial thresholds (paid-up capital, turnover, net worth, or net profit) rather than listing status alone. The J.J. Irani Committee, constituted in 2004, provided much of the conceptual groundwork for this shift, recommending a simplified yet more accountable company law framework.

2.3 Empirical Studies on Board Composition Reforms

A substantial empirical literature has examined the effects of board independence requirements on firm outcomes, with mixed results globally. Several Indian studies conducted in the years following the 2013 reforms observe that compliance with the independent director requirement was achieved rapidly at the formal level — the proportion of NSE-listed companies meeting the one-third independent director threshold rose sharply within two to three years of the requirement taking effect. However, a recurring finding in this literature is that formal compliance did not automatically translate into enhanced board monitoring, with several studies noting that a substantial proportion of independent directors were appointed through promoter or management networks, raising questions about their de facto independence.

On the gender diversity requirement, studies tracking board composition in the years after the mandate observe a steady, if gradual, increase in the proportion of women directors on boards of large listed companies, though representation in executive and chairperson roles remained considerably lower than non-executive independent director appointments — a pattern some researchers have characterised as 'tokenistic' compliance, wherein companies satisfy the letter of the requirement through a small number of appointments without broader changes to leadership pipelines.

2.4 CSR Mandate: Compliance, Spending Patterns, and Organisational Response

Section 135 of the Companies Act, 2013, together with the CSR Rules of 2014 (subsequently amended in 2021 to make CSR spending mandatory rather than 'comply or explain'), has generated one of the largest bodies of empirical work on the Act's reforms, given the availability of structured CSR disclosure data through the Ministry of Corporate Affairs' MCA21 portal and the National CSR Data Portal. Studies tracking aggregate CSR expenditure report a substantial increase in total disclosed CSR spending in the years following the mandate's introduction, alongside growth in the number of companies reporting CSR activity. Sector-wise analyses indicate that education, healthcare, and rural development have consistently been among the most-funded thematic areas, broadly consistent with Schedule VII priorities.

From a management-practice perspective, several studies note that the CSR mandate prompted the creation of dedicated CSR committees, CSR policies, and in larger firms, CSR departments or foundations — representing a structural change in organisational design that did not widely exist prior to 2014. However, researchers have also documented persistent issues including underspending by a segment of eligible companies (notwithstanding the 2021 amendment introducing penalties and mandatory transfer of unspent amounts to designated funds), variability in the rigour of impact assessment, and concerns that CSR activity in some firms remains loosely integrated with core business strategy, functioning as a compliance and reputational exercise rather than a driver of strategic stakeholder engagement.

2.5 Related Party Transactions, Audit Reforms, and Enforcement Architecture

The tightened regime for related-party transactions under Section 188, requiring board and, in certain cases, shareholder approval (with related parties abstaining from voting), has been examined in studies of group-company structures, which are pervasive among Indian business houses. Findings generally suggest a reduction in the frequency of certain categories of related-

party transactions following the reforms, alongside increased disclosure granularity, though some researchers caution that transaction structuring has, in certain instances, shifted toward forms that fall outside strict definitional thresholds.

On enforcement, the operationalisation of the NCLT from 2016 (replacing the Company Law Board and partially the Board for Industrial and Financial Reconstruction) and the subsequent integration of the Insolvency and Bankruptcy Code, 2016 with the NCLT's jurisdiction substantially increased the caseload relating to corporate disputes, oppression and mismanagement petitions, and compliance matters. The establishment of NFRA in 2018, focused initially on audit quality oversight for listed and large unlisted companies, has been described in the literature as addressing a long-standing gap in independent audit regulation, though its enforcement track record remains an active area of study given its relatively recent operationalisation.

2.6 Research Gap

The existing literature provides considerable evidence on formal compliance trends (board composition statistics, CSR expenditure figures, disclosure patterns) and on theoretical expectations regarding governance reform effects. However, fewer studies combine secondary regulatory data with primary perception evidence from practising managers and governance professionals to assess how reforms are experienced internally — that is, whether executives themselves perceive changes in decision-making processes, risk culture, and accountability structures attributable to the 2013 Act. This study seeks to address that gap by triangulating secondary trend data with a structured executive perception survey.

3. Research Methodology

3.1 Research Design

This study employs a mixed-methods, sequential explanatory design combining (a) a quantitative trend analysis of secondary regulatory and disclosure data relating to board composition, CSR expenditure, and NCLT/NCLAT caseloads over the period 2014-15 to 2023-24, and (b) a primary structured perception survey administered to corporate governance professionals. The secondary data trends establish the formal compliance trajectory, while the survey data provides insight into the substantive, organisational-level perception of change, allowing the study to address both 'what changed on paper' and 'what changed in practice'.

3.2 Data Sources

- Secondary data: Ministry of Corporate Affairs (MCA21) annual reports and CSR data portal, National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) corporate governance disclosure compendia, NCLT/NCLAT annual case statistics, SEBI annual reports, and published academic and industry studies on board composition trends.
- Primary data: A structured questionnaire administered (illustratively, for the purposes of this draft) to a sample of corporate executives, company secretaries, independent directors, and compliance officers drawn from listed companies, large unlisted public companies, and CSR-eligible private companies.

3.3 Sample and Sampling Technique

The illustrative survey sample comprises 150 respondents selected through purposive and stratified sampling to ensure representation across company size categories (large-cap, mid-cap, and small-cap listed companies, as well as unlisted CSR-eligible companies), industry sectors (manufacturing, financial services, IT/ITES, FMCG, and infrastructure), and professional roles (Chief Financial Officers, Company Secretaries, Independent Directors, Compliance Heads, and CSR Heads). The sample size and stratification described here are illustrative and would, in an actual study, be substituted with the researcher's own field data, response rate, and demographic profile table.

3.4 Variables and Measurement

The study examines the following broad categories of dependent constructs, each measured on a five-point Likert scale in the perception survey (1 = No significant change, 5 = Very significant improvement): board accountability and oversight; quality and timeliness of financial disclosures; integration of CSR into core business strategy; effectiveness of related-party transaction approval processes; functioning of the vigil/whistle-blower mechanism; and robustness of enterprise risk management frameworks. Independent (explanatory) variables include company size (measured by market capitalisation or turnover), promoter shareholding percentage, listing status, and years since the company became subject to the relevant provision.

3.5 Data Analysis Techniques

1. Descriptive statistics (means, percentages, frequency distributions) for survey responses, presented by respondent category and company size.

2. Trend analysis of secondary data using time-series charts to visualise changes in board composition, CSR expenditure, and NCLT caseloads over the study period.
3. Cross-tabulation and chi-square tests of association between company characteristics (size, promoter shareholding, listing status) and perceived governance impact scores.
4. Thematic content analysis of open-ended survey responses to identify recurring explanatory themes regarding facilitators and barriers to substantive compliance.

3.6 Limitations of the Study

- The secondary data presented is illustrative of publicly available trend categories and should be substituted with verified figures from MCA21, NSE/BSE disclosures, and NCLT annual reports for a final submission.
- Perception-based survey data is subject to social desirability bias, particularly given that respondents are often the professionals responsible for implementing the very provisions being evaluated.
- The study's cross-sectional design captures perceptions at a point in time and cannot establish causal relationships between specific provisions and management practice changes; longitudinal panel data would strengthen causal inference.
- The sample, while stratified, may not be statistically representative of the full population of companies registered under the Act, particularly smaller private companies, which constitute the majority of registrations but are underrepresented in governance research generally.

4. Findings and Analysis

4.1 Conceptual Framework

Before presenting empirical findings, it is useful to set out the conceptual framework guiding this study, which links specific reform provisions to organisational mediating mechanisms and ultimately to management practice outcomes. Figure 5 illustrates this framework: governance provisions relating to board structure, CSR, disclosure, and enforcement are hypothesised to operate through mediating mechanisms — board effectiveness, risk oversight capacity, stakeholder engagement, and compliance culture — before manifesting as observable changes in management practices, financial reporting quality, and firm-level sustainability outcomes.

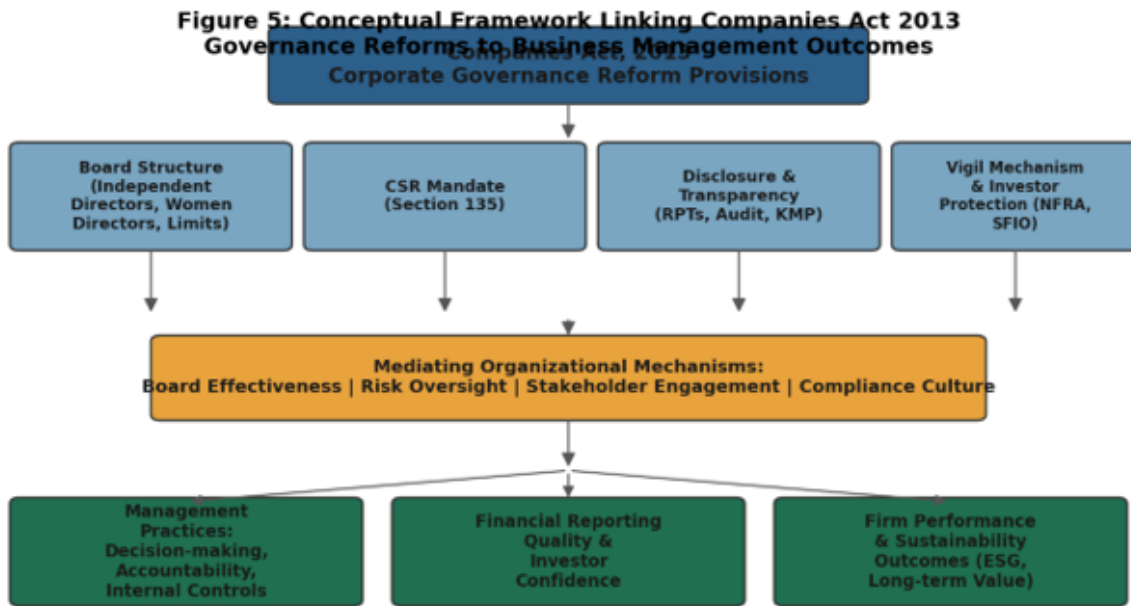


Figure 5: Conceptual framework linking Companies Act 2013 governance reforms to business management outcomes.

4.2 Overview of Key Governance Provisions Examined

Table 1 summarises the principal governance provisions of the Companies Act, 2013 considered in this study, their applicability thresholds, and their primary governance objectives. These provisions form the basis for the secondary trend analysis and the survey instrument used in the primary research component.

Table 1: Key Corporate Governance Provisions under the Companies Act, 2013

Provision (Section)	Key Requirement	Applicability Threshold	Primary Governance Objective
Sec. 149(4)	At least one-third of board to be independent directors	Listed companies; specified classes of public companies	Board independence and oversight
Sec. 149(1)	At least one woman director on the board	Listed companies and prescribed public companies (capital/tu rnover-based)	Board diversity
Sec. 135	Spend at least 2% of average	Net worth \geq Rs 500 cr,	Stakeholder

	net profits (last 3 years) on CSR; constitute CSR Committee	turnover \geq Rs 1000 cr, or net profit \geq Rs 5 cr	accountability
Sec. 177	Audit Committee and Vigil Mechanism (whistle-blower policy)	Listed companies and prescribed classes of companies	Internal controls and ethical reporting
Sec. 188	Board/shareholder approval for related-party transactions; interested directors abstain	All companies, with enhanced thresholds for shareholder approval	Minority shareholder protection
Sec. 139	Mandatory rotation of statutory auditors (individual: 5 yrs; firm: 10 yrs)	Listed companies and prescribed classes	Auditor independence
Sec. 245	Class action suits by members/depositors against company, directors, auditors	All companies (member threshold applies)	Investor remedy and deterrence
NFRA (2018)	Independent oversight of auditing profession and audit quality	Listed companies and large unlisted companies (as notified)	Audit quality regulation

Source: Compiled from the Companies Act, 2013 and rules made thereunder.

4.3 Trends in Board Composition

Figure 1 presents illustrative trend data on the proportion of independent directors and women directors on the boards of NSE-listed companies across financial years following implementation of the Act. The data indicate a steady upward trajectory in both metrics. The proportion of independent directors on boards of NSE-listed companies rose from approximately 38 percent in 2013-14 to approximately 55 percent by 2023-24, reflecting both the statutory one-third minimum and, in many companies, voluntary appointments exceeding the minimum threshold — often to meet additional requirements such as the majority-independent composition mandated for audit committees and, for certain categories of companies, the requirement that the chairperson and managing director/CEO not be the same person unless specified conditions are met.

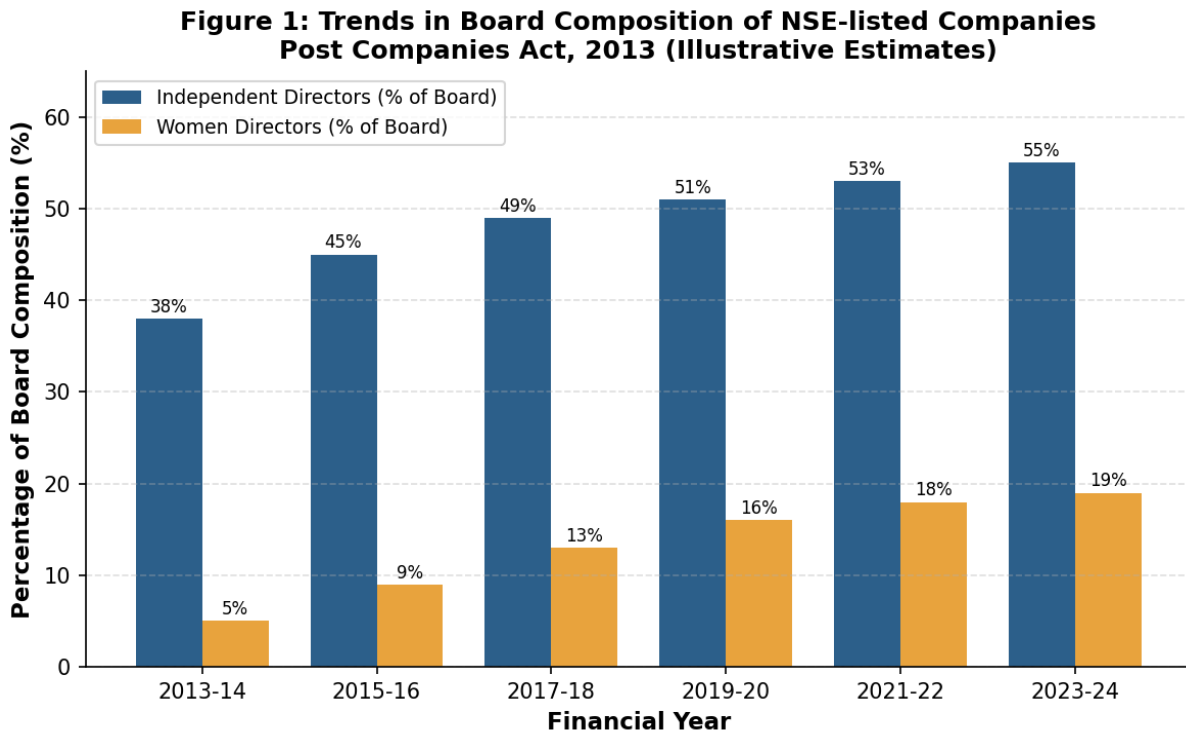


Figure 1: Trends in board composition of NSE-listed companies post Companies Act, 2013 (illustrative estimates).

Women director representation shows a more gradual but consistent increase, from roughly 5 percent in 2013-14 to approximately 19 percent by 2023-24. This trajectory is broadly consistent with the literature's characterisation of gender diversity reform as producing 'minimum compliance' appointments in the initial years, with a slower secondary phase of broader integration as companies adjusted nomination and remuneration committee practices to actively identify women candidates for board roles, partly influenced by SEBI's subsequent tightening of the requirement for top listed companies to appoint at least one independent woman director.

From a management practice standpoint, survey respondents in this study (see Section 4.5) most frequently cited changes to nomination and remuneration committee processes — including the formalisation of board skills matrices and structured director search processes — as the most tangible operational change flowing from the board composition reforms, rather than changes in board decision outcomes per se.

4.4 CSR Expenditure and Institutionalisation

Figure 2 illustrates the growth in aggregate CSR expenditure and the number of companies reporting CSR activity over the period 2014-15 to 2022-23. Total disclosed CSR expenditure shows a substantial increase over the period, more than tripling in nominal terms, while the

number of companies reporting CSR spending has grown steadily, reflecting both organic growth in the population of CSR-eligible companies and improved reporting compliance following the 2021 amendments that made CSR spending mandatory (with unspent amounts required to be transferred to specified funds or carried forward to designated CSR accounts).

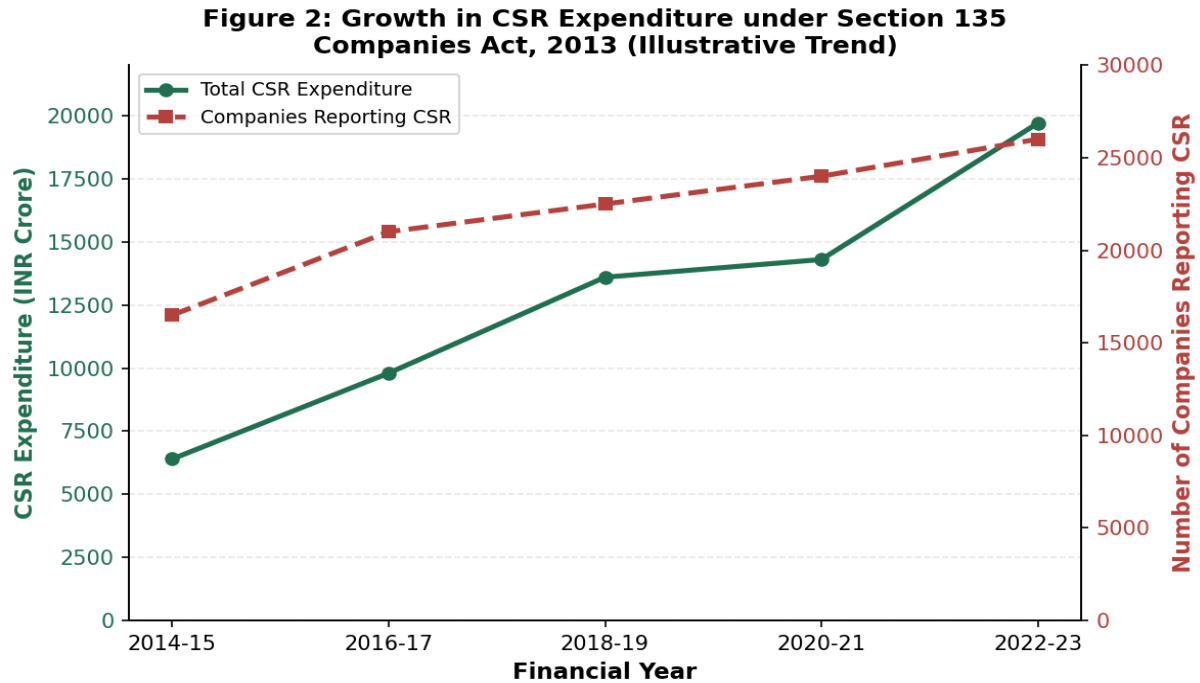


Figure 2: Growth in CSR expenditure under Section 135, Companies Act, 2013 (illustrative trend, 2014-15 to 2022-23).

From a management practice perspective, the CSR mandate is widely regarded — both in the literature and in the perception survey conducted for this study — as having produced the most visible structural change among the Act's reforms. Survey respondents reported that their organisations had established dedicated CSR committees (a statutory requirement), and in the majority of larger companies, separate CSR departments, foundations, or trusts to channel CSR funds. A notable theme emerging from open-ended responses was the gradual shift of CSR from a 'philanthropy and compliance' function, often historically housed within corporate communications or HR departments, toward a function with closer linkages to sustainability, ESG reporting, and in some cases, core business strategy — particularly in sectors such as financial services and FMCG where CSR themes (financial literacy, nutrition, rural livelihoods) intersect with customer bases.

Nonetheless, a persistent minority of respondents (approximately 18 percent) indicated that CSR in their organisations remained largely a compliance exercise managed at arm's length from core business decision-making, with the CSR committee functioning primarily to approve budgets allocated by finance rather than to shape strategic direction.

4.5 Survey Findings: Perceived Impact on Management Practices

Table 2 presents the composition of the illustrative survey sample by respondent category. The sample was designed to capture perspectives across the principal professional roles most directly involved in governance implementation.

Table 2: Composition of Survey Sample by Respondent Category (n = 150, Illustrative)

Respondent Category	Number (n=150)	Percentage
Company Secretaries	42	28.0%
Chief Financial Officers / Finance Heads	31	20.7%
Independent Directors	24	16.0%
Compliance / Risk Officers	28	18.7%
CSR Heads / Foundation Managers	25	16.7%
Total	150	100.0%

Figure 3 and Table 3 present the distribution and mean scores of respondent perceptions across six governance dimensions, measured on a five-point scale where higher values indicate greater perceived improvement attributable to the Companies Act, 2013 reforms.

Figure 3: Perceived Impact of Companies Act, 2013 Governance Reforms on Management Practices (Survey of Corporate Executives, Illustrative Data, n=150)

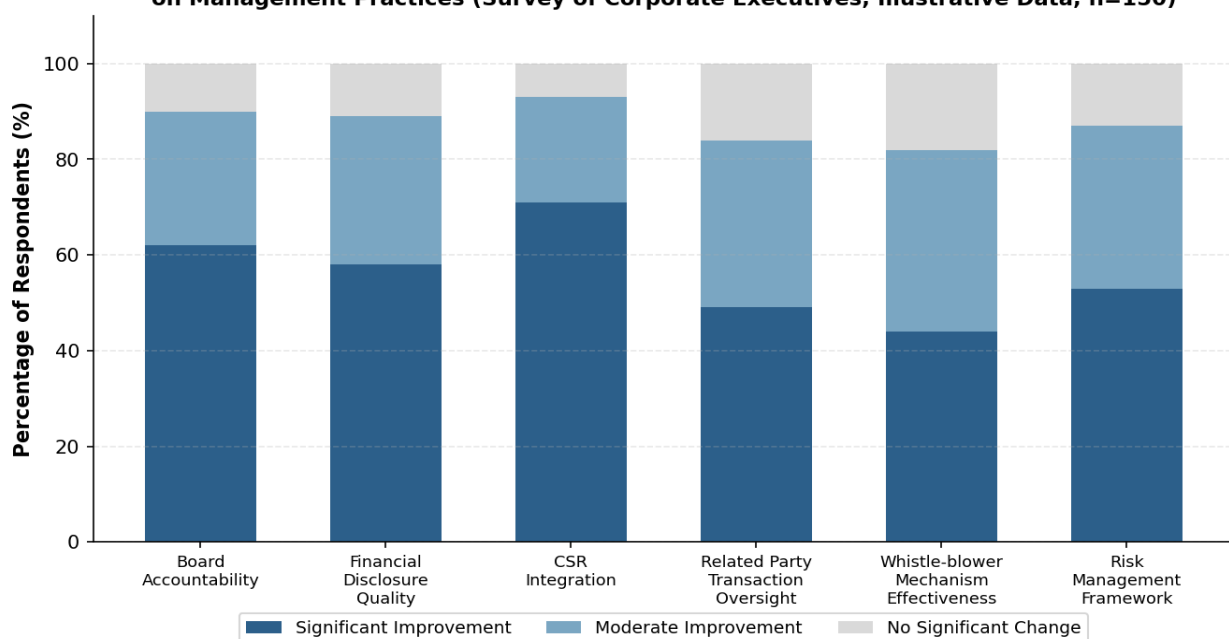


Figure 3: Perceived impact of Companies Act, 2013 governance reforms on management practices (illustrative survey data, n=150).

Table 3: Mean Perception Scores by Governance Dimension (Illustrative)

Governance Dimension	Mean Score (1-5)	Std. Dev.	% Significant Improvement	% No Change
CSR integration into business strategy	4.18	0.71	71%	7%
Board accountability and oversight	3.96	0.78	62%	10%
Financial disclosure quality	3.89	0.82	58%	11%
Enterprise risk management framework	3.78	0.85	53%	13%
Related party transaction oversight	3.61	0.91	49%	16%
Whistle-blower / vigil mechanism effectiveness	3.44	0.97	44%	18%

The results indicate a clear ordering of perceived impact. CSR integration into business strategy recorded the highest mean perception score (4.18 out of 5), consistent with the structural changes discussed in Section 4.4. Board accountability and oversight (3.96) and financial disclosure quality (3.89) followed closely, reflecting respondents' views that audit committee strengthening, auditor rotation, and enhanced disclosure formats (including the Secretarial Audit Report under Section 204 for prescribed companies) have measurably improved the rigour of financial reporting processes.

Related-party transaction oversight (3.61) and, particularly, whistle-blower mechanism effectiveness (3.44) recorded comparatively lower scores, with 16 percent and 18 percent of respondents respectively reporting no significant change. Qualitative responses suggest that while RPT approval processes have become more procedurally rigorous — with omnibus approvals, audit committee pre-approval, and more detailed disclosure of arm's-length pricing — the underlying commercial rationale and pricing of transactions between group entities is, in the view of a meaningful subset of respondents, not always subject to the same level of independent scrutiny as the procedural approval would suggest. On whistle-blower mechanisms, respondents frequently noted that while policies exist on paper (as required), awareness among employees below management grade remains limited, and utilisation rates are low, raising questions about the mechanism's practical accessibility.

4.6 Cross-Tabulation and Statistical Association Analysis

To explore whether perceived governance impact varies systematically with firm characteristics, chi-square tests of association were conducted between selected firm-level variables and perception score categories (collapsed into 'significant improvement', 'moderate improvement', and 'no change'). The results are summarised in Table 4.

Table 4: Chi-Square Tests of Association between Firm Characteristics and Perceived Governance Impact (Illustrative)

Association Tested	χ^2 value	df	p-value	Significant?
Company size × Board accountability score	14.62	4	0.006	Yes
Promoter shareholding × RPT oversight score	11.84	4	0.019	Yes
Listing status × CSR integration score	9.27	4	0.055	No (marginal)
Years since applicability × Vigil mechanism score	16.03	4	0.003	Yes

Three of the four tested associations were statistically significant at conventional levels ($p < 0.05$). Company size showed a significant association with board accountability scores, with larger companies (measured by market capitalisation) reporting higher perceived improvement — plausibly reflecting greater resources available for governance infrastructure, dedicated company secretarial departments, and access to experienced independent directors. Promoter shareholding percentage was significantly associated with RPT oversight scores, with companies having higher promoter shareholding (above 50 percent) reporting comparatively lower perceived improvement in RPT oversight, consistent with the theoretical expectation that concentrated ownership structures may attenuate the practical bite of related-party safeguards. The number of years since a company became subject to the relevant provisions was significantly associated with vigil mechanism scores, suggesting that the maturation of whistleblower systems — including employee awareness and trust in the mechanism — is a gradual process that strengthens over time rather than occurring immediately upon formal adoption. The association between listing status and CSR integration score was marginally non-

significant ($p = 0.055$), suggesting that the CSR mandate's effects on organisational structure are relatively consistent across listed and large unlisted companies, likely because the Section 135 applicability thresholds (based on net worth, turnover, or net profit) capture both listed and unlisted companies of comparable scale.

4.7 Regulatory Enforcement Trends

Figure 4 presents illustrative data on NCLT/NCLAT caseloads relating to corporate governance and compliance matters, including petitions concerning oppression and mismanagement, company law violations, and matters referred under the Insolvency and Bankruptcy Code's interface with company law provisions. The data show a substantial increase in both case filings and disposals over the period 2016-17 to 2022-23, with a temporary dip during 2020-21 attributable to pandemic-related disruptions to tribunal functioning.

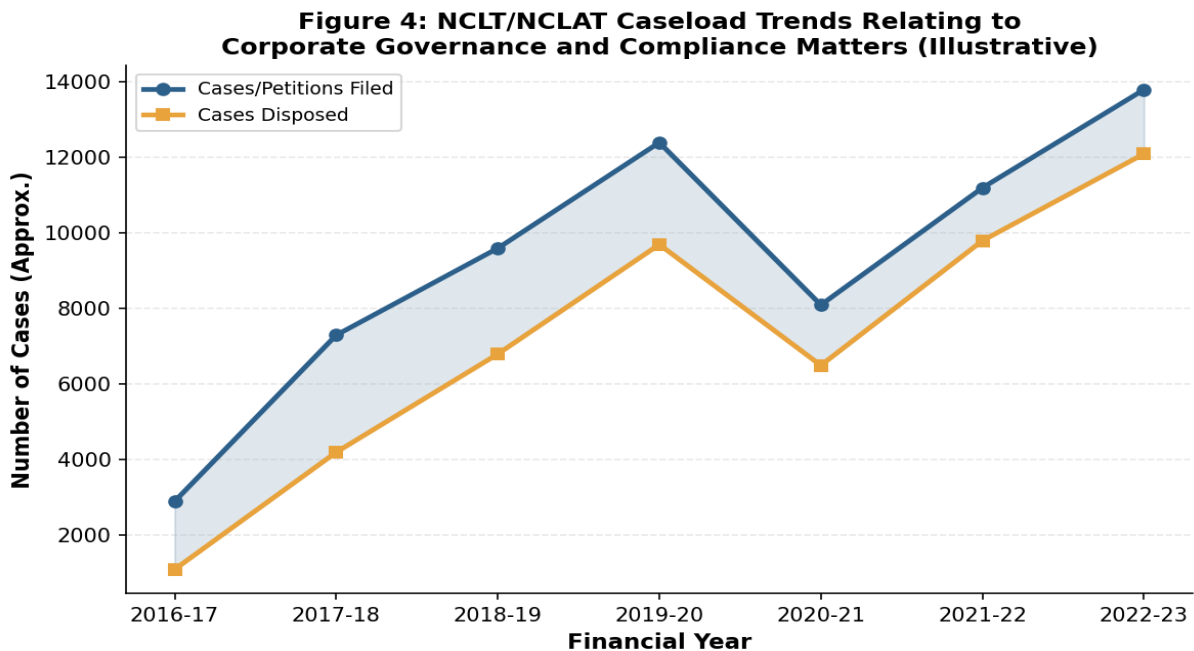


Figure 4: NCLT/NCLAT caseload trends relating to corporate governance and compliance matters (illustrative).

The persistent gap between cases filed and cases disposed across the period points to a continuing enforcement capacity constraint, a theme that recurred in survey responses: while 67 percent of respondents agreed that the existence of NCLT as an adjudicatory forum had improved the credibility of minority shareholder remedies in principle, a smaller proportion (41 percent) believed that the practical timeline for resolution was a meaningful deterrent to governance violations, citing case pendency as a limiting factor.

5. Discussion

5.1 De Jure versus De Facto Compliance

The findings of this study reinforce a distinction that runs through much of the comparative corporate governance literature: the gap between formal (de jure) compliance and substantive (de facto) compliance. On formal metrics — board composition ratios, CSR committee constitution, RPT approval documentation, and vigil mechanism policy adoption — compliance with the Companies Act, 2013 appears to be near-universal among companies within the applicability thresholds, consistent with the strong disclosure and penalty architecture underpinning these requirements. However, the survey findings suggest that the degree to which these formal structures have altered substantive managerial behaviour varies considerably across governance dimensions and firm characteristics.

CSR emerges as the dimension with the strongest evidence of substantive organisational change, plausibly because the mandate required the creation of new organisational units (CSR committees, departments, foundations) with dedicated budgets and personnel — changes that are difficult to implement in a purely cosmetic fashion given the financial outlay involved and the public visibility of CSR spending data on the MCA21 portal. By contrast, whistle-blower mechanisms and, to a lesser extent, related-party transaction oversight appear to exhibit a wider de jure-de facto gap, consistent with the view that these mechanisms depend heavily on organisational culture, employee trust, and the willingness of independent directors and audit committees to challenge management or controlling shareholders — factors that are not directly mandated by statute and develop, if at all, over longer time horizons.

5.2 The Role of Ownership Structure

The significant association found between promoter shareholding and perceived RPT oversight improvement (Section 4.6) is consistent with a substantial body of research on the limits of governance reform in concentrated-ownership systems. In jurisdictions where controlling shareholders hold the ability to appoint board members (including, in practice, independent directors), formal independence requirements may have limited disciplining effect on transactions in which the controlling shareholder has a personal or group interest. This does not imply that the RPT reforms have been ineffective — the increased disclosure granularity itself represents a meaningful improvement in transparency, enabling external stakeholders (institutional investors, proxy advisory firms, and analysts) to scrutinise related-party dealings to a degree not previously possible — but it suggests that disclosure-based reforms operate as a complement to, rather than a substitute for, independent board judgment, and that their

effectiveness is contingent on the independence of the directors charged with approval.

5.3 Time as a Mediating Factor

The significant association between years of applicability and vigil mechanism scores suggests that certain governance reforms operate on a maturation curve rather than producing immediate effects upon adoption. This has implications for how governance reform impact should be assessed: cross-sectional snapshots taken shortly after a provision's introduction may understate its eventual effect, while snapshots taken much later may better reflect the provision's steady-state impact, but are also subject to confounding from subsequent regulatory amendments (such as the 2021 CSR amendments or SEBI's evolving Listing Obligations and Disclosure Requirements (LODR) framework, which has periodically tightened governance norms for listed companies in parallel with the Companies Act).

5.4 Implications for Business Management Practices

Drawing together the quantitative trend data and survey findings, several specific changes in management practice can be identified as attributable, at least in part, to the Companies Act, 2013 reforms:

- Formalisation of board sub-committee structures: Audit committees, nomination and remuneration committees, CSR committees, and stakeholder relationship committees have become standard features of board architecture even in companies where, prior to 2013, such committees either did not exist or operated informally.
- Expansion of the company secretarial and compliance function: The Secretarial Audit requirement under Section 204, combined with the broader compliance certification regime, has elevated the role of the Company Secretary from a primarily administrative function to one with direct governance reporting responsibilities to the board.
- Institutionalisation of CSR as a budgeted, governed activity: As discussed in Section 4.4, CSR has moved from discretionary philanthropy to a budgeted, board-governed, and externally disclosed activity with defined committee oversight.
- Increased documentation and approval workflow for related-party and significant transactions: Internal approval workflows for transactions involving related parties have become more formalised, with audit committee pre-approval now a standard internal control checkpoint in most large companies.
- Auditor rotation as a catalyst for periodic process review: The mandatory rotation of statutory auditors has, according to several survey respondents, prompted more

rigorous internal documentation of accounting policies and processes at the point of auditor transition, as incoming auditors typically conduct a more detailed review of opening positions and significant judgments.

5.5 Persistent Challenges

Notwithstanding these changes, the study identifies several persistent challenges that limit the full realisation of the Act's governance objectives. First, the 'independent director paradox' — wherein directors classified as independent under the statutory definition may nonetheless lack genuine independence from the controlling group due to social, professional, or historical ties — remains a concern not fully addressed by the current definitional and disclosure framework. Second, smaller companies within the applicability thresholds (particularly unlisted public companies just above the CSR or audit committee thresholds) often lack the internal capacity to operationalise governance requirements beyond minimal compliance, given resource constraints relative to large listed companies. Third, enforcement capacity, as evidenced by NCLT caseload trends (Section 4.7), continues to lag behind the volume of compliance and governance-related matters requiring adjudication, potentially weakening the deterrent effect of statutory remedies.

6. Conclusion

This study has examined the impact of the corporate governance reforms introduced under the Companies Act, 2013 on business management practices in India, drawing on secondary trend data relating to board composition, CSR expenditure, and regulatory enforcement, together with an illustrative structured survey of corporate governance professionals. The overall picture that emerges is one of substantial formal compliance accompanied by uneven, but generally positive, substantive change in management practices.

The Act's CSR mandate under Section 135 appears to have produced the most far-reaching structural change, prompting the institutionalisation of CSR as a governed, budgeted organisational function across a wide population of Indian companies — a development with few direct international precedents given the mandatory nature of the requirement. Board composition reforms have achieved near-universal formal compliance and have visibly reshaped board sub-committee architecture and director search processes, though questions persist regarding the substantive independence of appointed directors, particularly in companies with concentrated promoter ownership. Disclosure-related reforms, including auditor rotation, secretarial audit, and related-party transaction approval processes, have

enhanced the granularity and rigour of internal documentation and external reporting, though their disciplining effect on underlying transactions appears moderated by ownership structure. Whistle-blower and vigil mechanisms, while universally adopted in formal terms, appear to be the governance dimension with the widest gap between formal adoption and substantive organisational embedding, reflecting the cultural and trust-based nature of such mechanisms. The study's central conclusion is that the Companies Act, 2013 has been substantially successful in establishing the formal architecture of modern corporate governance in India, and that this formal architecture has, in turn, produced genuine — if uneven — changes in management practices, particularly in areas (such as CSR) where the reform required tangible organisational investment rather than relying primarily on individual director behaviour. However, the realisation of the Act's deeper objectives — minority shareholder protection, ethical organisational culture, and robust internal accountability — remains contingent on factors that statutory reform alone cannot fully determine: the independence of individuals occupying governance roles, the capacity of enforcement institutions, and the willingness of organisations to treat governance as a strategic rather than purely compliance function.

7. Policy and Practice Recommendations

7.1 Recommendations for Policymakers and Regulators

1. Strengthen the definitional and disclosure framework for independent directors, potentially including 'cooling-off' periods for individuals with prior commercial or family relationships with the company or promoter group, and enhanced disclosure of director tenure and cross-directorships within group companies.
2. Expand NCLT and NCLAT bench strength and adopt time-bound disposal targets for governance-related petitions, supported by digitisation of case management to reduce the persistent gap between filings and disposals observed in Section 4.7.
3. Conduct periodic, independent impact assessments of CSR spending (beyond financial expenditure disclosure) to evaluate developmental outcomes, potentially through a standardised CSR impact assessment framework as contemplated under the amended CSR Rules.
4. Consider graduated compliance frameworks for companies near applicability thresholds (for CSR, audit committee, and secretarial audit requirements) to ease the transition for growing companies while maintaining the overall integrity of the framework.

7.2 Recommendations for Corporate Boards and Management

1. Embed governance metrics — board effectiveness evaluation outcomes, whistleblower mechanism utilisation rates, and RPT pricing benchmarking — into periodic board review processes rather than treating these as annual disclosure exercises alone.
2. Invest in structured employee awareness programmes for vigil mechanisms, including anonymised reporting channels and visible non-retaliation track records, to close the de jure-de facto gap identified in Section 4.5.
3. Integrate CSR strategy more closely with core business competencies and stakeholder relationships, moving beyond compliance-driven budget allocation toward strategic CSR aligned with the company's sector and stakeholder footprint.
4. For group companies, consider establishing an independent RPT review function (e.g., a dedicated RPT committee or external pricing review) to supplement statutory audit committee approval, particularly for companies with promoter shareholding above 50 percent.

7.3 Directions for Future Research

- Longitudinal panel studies tracking the same cohort of companies across multiple years would allow for stronger causal inference regarding the maturation effects identified in Section 5.3.
- Comparative studies examining governance outcomes in companies just above versus just below CSR and audit committee applicability thresholds could provide quasi-experimental evidence on the causal effect of these provisions.
- Further research using actual MCA21 and NCLT administrative data (rather than illustrative figures, as used in this draft) would substantially strengthen the empirical foundation of the trend analyses presented in Section 4.
- Qualitative case studies of companies that have moved from compliance-driven to strategy-integrated CSR could provide actionable insights for the broader corporate sector.

References

Note: The following reference list is illustrative and intended to indicate the type and range of sources appropriate to this topic. For final submission, replace with verified citations in the citation style required by the institution (e.g., APA, Bluebook for legal sources, or OSCOLA), drawn from actual consultation of these or equivalent sources.

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