

Board Directors and Governance Practices: A Study of Corporate Governance in Unlisted Companies

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Abstract

The purpose of this study is to investigate the ways in which the board members of unlisted companies have an impact on the processes of corporate governance. Companies that are publicly traded get a great deal of attention when it comes to the corporate governance frameworks and the requirements of board members. The governance structures of unlisted firms, on the other hand, are unique from those of public companies and are subject to a variety of restrictions. This research explores the influence of unlisted company board members on governance policies, decision-making, and overall business performance in order to fill the information gap that has been identified. The boards of directors of unlisted firms have unique challenges and opportunities, such as less pressure from shareholders and less formal reporting duties, as shown by case studies and comparative research. Unlisted companies also have fewer formal reporting obligations. Despite the fact that the governance structures of unlisted firms are more changeable, the findings indicate that the responsibilities of board members in encouraging accountability, transparency, and long-term strategy planning are equally as significant as those in publicly traded companies. In this research, the best strategies that unlisted organizations may employ to strengthen their governance are revealed by comparing and contrasting publicly listed organizations with unlisted organizations.

Keywords: Board directors, corporate, unlisted companies

1. INTRODUCTION

Three of the most important aspects of excellent corporate governance are accountability, transparency, and the ability of a corporation to withstand the challenges that come with the passage of time. While the majority of research on corporate governance is on publicly traded companies, it is crucial to note that unlisted companies are just as significant to the economy as publicly traded companies. Firms that are not publicly traded often operate in a legal environment and governance structure that is unique from that of publicly traded firms. These organizations may range from tiny family-owned businesses to enormous privately held conglomerates. Companies that are not listed are subject to a lower level of monitoring from shareholders, regulators, and the general public in comparison to their counterparts who are listed. In light of this, the techniques of corporate governance are determined by the size of the firm, the ownership structure, and the strategic goals of the organisation.

The governing body of a firm that is not publicly traded is called the board of directors. The board is responsible for managing the day-to-day operations of the firm, ensuring that everyone abides by the regulations, and making decisions about the long-term direction of the organisation. Generally speaking, the governance requirements of unlisted enterprises are more relaxed than those of public organizations since they are free from the onerous formal reporting and transparency laws that are applicable to public corporations. Due to the fact that they have more flexibility, board directors may encounter both possibilities and challenges. One of the great aspects of directors is that they have the ability to modify governance practices in accordance with the requirements of the firm. In the other direction, governance systems that are not adequately established may result in oversight and accountability being compromised.

The objective of this study is to get a deeper understanding of the ways in which board members of unlisted companies exert influence on the processes of corporate governance. The purpose of this research is to shed light on the practice of governance that occurs outside of the statutory frameworks that control listed corporations. This will be accomplished by doing an analysis of the governance structures, decision-making processes, and board functions that are inside these organizations. Additionally, it will investigate the ways in which unlisted companies may maintain their competitiveness and sustainability by implementing governance best practices. By conducting interviews with board members and conducting case study analyses, this project will give a comprehensive viewpoint on the subject of unlisted business governance, therefore filling a vacuum in the existing body of literature on the subject. It is possible that the experiences that board members have had with the governance of unlisted firms may teach us a great deal about how to enhance corporate governance in general, which in turn improves the performance of the business and the conduct of management.

Institutional, legal, and regulatory framework

Corporations in India are largely controlled by the Companies Act 1956 (1956 Act), which is a piece of legislation that outlines the regulations that govern how corporations may be established and how they can function. A number of organizations that report to India's Ministry of Company Affairs (MCA) are responsible for carrying out this task. Listed companies in India are subject to further regulation by the Securities and Exchange Board of India, which is a statutory body that operates via the Stock Exchanges. The Institute of Company Secretaries and the Institute of Chartered Accountants are two examples of statutory institutions that are under the jurisdiction of the Ministry of Corporate Affairs (MCA) and play an important part in advocates for greater corporate governance and practice. The landscape of corporate governance in the nation is still in its early phases of self-regulation; nevertheless, the leading trade associations are already working on a variety of initiatives to assist in the creation of standards for good corporate governance that all firms, whether public or private, listed or non-listed, may strive to achieve. Significantly, the Act of 1956 makes a distinction between two primary types of businesses: public and private firms, with the latter group being afforded a number of safeguards that are not available to the former. Companies that have a major influence on the public interest are being examined regardless of whether or not they are listed on a stock exchange.

This portion of the article takes a look at the legislative, regulatory, and industry-recommended frameworks that are currently in place for corporate governance in companies that are not listed. The article is organised in a manner that organizes itself around four primary areas of best practices for corporate governance. These areas are as follows: (i) boards and directors of corporations; (ii) operational management and control; (iii) reporting credibility and transparency; and (iv) shareholder democracy and

minority protection. Certain observations are influenced by a number of factors, including the author's own perspectives on corporate governance, the recommendations made by the several study groups and committees, and the following discussion of the Concept Paper.

DIRECTORS AND BOARDS OF CORPORATIONS

Size, composition

In India, the law mandates that every firm must have a minimum of two directors. When it comes to publicly listed companies, the number three is the most important. If the paid-up capital of a public company is five crore⁴ rupees or more, or if there are one thousand or more minor shareholders, then the shareholders of the firm have the ability to choose a director for the company.. Given the existence of this provision, the company is at liberty to choose the size of its board of directors. According to the proviso that is included in section 259 of the Act of 1956, the Central Government must provide its consent for any increase in the number of directors of a subsidiary of a public business that exceeds twelve. It is possible that the clause will be particularly burdensome for companies that have worldwide operations and have a need for board members who have knowledge in a number of sectors. These tight requirements essentially cut off the services of a number of professionals who serve on Indian corporate boards at a time when other countries are embracing the concept of the Supervisory Board, which is a group of specialists chosen to advise, guide, and supervise the decision-making process of the board of directors. Consequently, this has ramifications for the bottom line of the corporation as well as for the economy of India in general.

Certain categories of publicly listed companies are obliged to have a minimum of seven directors, as stipulated by the regulations that are proposed and explained in the Concept Paper. It is required that three of these directors be independent, or the same number of directors as five percent of the board members, whichever number is greater. For the proposed number, the maximum number that may be used is fifteen. There are still some public firms that allow shareholders to vote for directors, and this choice is still accessible to them. A significant amount of debate has been created by this section. Some people are of the opinion that private businesses ought to have at least one, while public interest firms have to have at least seven public interest corporations. There are those who are of the opinion that businesses should be able to appoint more directors whenever they are required to do so, and that there should be no restriction placed on the overall number of directors. The experts are in agreement with this evaluation; however, they also believe that there have to be specific processes in place to ensure that the authorities and stakeholders are kept up to speed on the development of the board. The following are some of the ways in which this could be accomplished: (i) filing the recommended single Form 326 for each director's particulars in the office of the Registrar of Company (RoC); entry in the Register of Directors⁷, which is open to inspection by members upon payment of a nominal fee; or proper disclosure in the annual report to provide the required information of every director appointed to the board. There is a significant amount of importance placed on the makeup of the board of directors in terms of their capacity to fulfill their obligations in a manner that is beneficial to all shareholders. In many parts of the globe, the use of non-executive boards that are independent is gaining popularity. One of the propositions made in the Concept Paper is that the nomination of independent directors to the board should be obligatory. It is possible to make provisions for a minimum of one third of the board to be independent. This does not include the nominee directors nominated on the board by the different stakeholders, who are not regarded to be independent. If this were to take place, it would be a very major step towards enhancing governance in all

businesses. On the other hand, there are certain exemptions that are being considered for smaller corporations in terms of the number of independent members that are part of the board. In a later section of the article, we will talk about those who are independent directors.

CEO and head of the board

Within the context of the current national conversation over corporate governance and procedures, the responsibilities of board chair and chief executive officer are an extremely important consideration. The vast majority of individuals are of the opinion that the two functions need to be different from one another, given that the board is intended to be monitoring the CEO. As a result of the various duties that each of the two positions perform, there have been demands for their separation as an essential requirement for enterprises that are engaged in the public interest. Proponents of the laws governing corporate governance in Canada dispute the notion that a full separation of powers is required in order to achieve this objective. This is despite the fact that they acknowledge the need of a chair who is both independent and impartial.

Board committees

This is a widely accepted and developing trend in the area of operational improvement for boards' successful functioning, and it is recommended that board rules be updated in order to better distribute some responsibilities to smaller committees that are easier to manage. It has been reported by companies who have begun using this strategy that the time and effort of the entire board is better handled, and that the critical components of board policy implementation are evaluated and addressed in greater depth. A procedure that was first applied for listed organizations, audit committees were later mandated to be established by certain public companies that were of a certain kind. The Concept Paper suggests that the majority of the members of this committee need to be elected from the independent director pool. In order to evaluate and report on issues such as governance standards, board nominations (both for new and replacement appointments), performance review (both for the board as a whole and for individual directors), and other similar topics, several large Indian companies have established special committees. In light of the current circumstances, it is possible that it would not be acceptable to explicitly mandate that all firms establish such committees by law.

It would be best to let the companies make the decision on this. Nevertheless, as a first step, it is possible to suggest the establishment of a composite or separate nominations and governance committee consisting of three or more directors who are all operating independently. It is possible that such a committee will be assigned with the responsibility of assessing potential candidates whenever there is an opportunity to add or replace board members. Due to the fact that they are all independent, the company may put its trust in their opinion in order to choose individuals to replace or add to the board of directors based on what they consider to be the most beneficial for the commercial enterprise. This committee may also be required to evaluate how well the company is performing in terms of governance at regular intervals (for example, once every two years), and to suggest any necessary changes or alterations to the whole board for their approval. This may be done in order to ensure that the company is operating effectively. It is possible that it would be suitable to have the whole board manage nominations and self-evaluation decisions for smaller boards. In addition to this, you need to give some consideration to establishing a committee for the relationship of stakeholders.

Directors

Lawmakers, regulators, society, and investors are scrutinizing corporate directors' roles more than ever. Performance and responsibility are in demand. Due to these developments, executive and non-executive directors must assess their ability to manage increased responsibilities before accepting new positions. Businesses must pay directors fairly to attract and retain excellent ones. The 1956 Act limits directors to twenty enterprises, however the proposed changes reduce that number to fifteen. Concept Paper proposes 15 instead. Several allowable exclusions enable this value to be significantly exceeded. Executive and non-executive company directors should be treated differently when addressing this issue. Executive directors include managing directors, functional directors, and full-time employees. They usually have a service contract with the company, like any other employee. Even if not explicitly stated, executive directors' membership in retrial funds for employee-managers or the application of tax law employee-perquisite valuation methods to their perquisites, such as housing or cars, can suggest an employer-employee relationship. Subject to certain restrictions and authorization, a person may manage no more than two firms at once under legislation. However, managing and other full-time directors may serve as non-executive directors on other boards. Shareholders should expect the managing director and other full-time directors to concentrate on a company's activities that touch a large percentage of the public. Employees who engage in extracurricular activities that improve their personal and corporate reputation and create value for their companies benefit everyone.

This includes industrial organisation boards and committees, academic collaborations, government or regulatory involvement, social responsibility programs, and others. Beyond that, asking whether they may work for other companies or do other things may be problematic. Being on other firms' boards is said to boost exposure and allow one to provide valuable input to one's company. Well-reasoned, however full-time corporate directors may get comparable insights from other professional and social groups without serving as non-executive directors on other firms' boards. Exceptions aside, many progressive firms prohibit their executive directors from serving as non-executive directors on other companies' boards. Highlighting this favorable tendency and promoting its adoption by regulation, legislation, or persuasion may be helpful. Non-executive directors are board members who are not full-time employees. Non-executive directors have engaged less in board activities than expected. Board membership criteria should reflect time commitments. Directors have different duties based on firm size and complexity. Before becoming non-executive directors, persons may need to gather enough concrete information to assess the time commitment. Non-executive directors might dedicate more time and attention to each directorship if companies had fewer. All types of enterprises, especially tiny corporations, may have non-executive independent directors.

Corporate governance centres on independent directors. Only publicly listed companies may exploit the concept now. However, defining an independent director has been difficult. Despite various disagreements, the Listing Agreement's Explanation to Article 49 I (A) defines independent directors best. Independent directors are non-executive directors of a company who receive director's remuneration and have no material pecuniary relationship or transactions of such amount as may be prescribed with the company, its promoters, managing director, full-time director, other directors, manager, holding company, or subsidiaries. To be autonomous, they must also meet Central Government requirements." The Concept Paper wants a clearer definition of independent directors. Many oppose this. Some argue that the definition should match that of listed businesses, which has proven reasonable. If standards are tightened, many

worry there won't be enough competent independent directors to fill board posts. But everyone thinks that honesty and knowledge are essential.

Managerial remuneration

The question of salary, particularly that of managers and full-time directors, was an emotionally charged one in India prior to the liberalization of the economy. This was due to the fact that public policy, socialist aims, and the compensation of government servants were all variables that contributed to the confusion. These limits have, happily, been eliminated, with the exception of a few profit-based constraints that apply to the whole organisation. Reward packages for non-executive directors have been developed in recent years, notably in "new economy industries," with the intention of luring the most qualified individuals to join boards of directors. In addition to providing formal legitimacy to requests for more responsibility and performance from directors of this kind, suitable remuneration also serves to foster independence. It is essential to investigate the compartmentalized ceilings that are present in the legislation governing corporations. According to the provisions of sections 349 and 3508 of the 1956 Act, the maximum amount of pay that may be given to a manager in India cannot exceed eleven percent of the net profits of a public business for the relevant fiscal year. Before a managing director or full-time director may get more than 5% of the company's net profits for an individual director and 10% for all of them combined, the Central Government must first provide its prior authorization. This rule applies to both full-time directors and managing directors.⁹) A prior clearance from the Central Government is required for any director's pay that is more than one percent of the company's net earnings, or three percent in any other circumstance. On the other hand, this is true regardless of whether the director is a managing director or a director who works full-time.^{ten} It has been determined that the medicine that is now available is inadequate. All directors, whether they are executive or non-executive, have the expectation that they will be compensated fairly for their job, regardless of whether or not there are adequate profits. Company law currently demands minimum remuneration for managers and full-time directors in instances like this, provided that certain financial limits are met. Because non-executive directors invest their own time and expertise in determining the future of the companies they serve, there is no valid reason why they should not be held to the same standards as executive directors. It is up to the management of every particular firm, regardless of whether it is public or private, profitable or not, to choose the amount of compensation that should be granted to the directors. It is illogical to anticipate that the central government would interfere in the internal administration of a firm if the financial records correctly represent director remuneration, appropriate disclosures are made, all mandatory filings are filed to the centralized institution, and there are no violations of applicable laws.

Regarding the concept of compartmentalization, the Concept Paper does not adequately handle the situation. The scenario would be considered ideal if there were no sub-limits established, with the exception of the 11% limitation that is indicated in section 198(1). After taking into account investments and depreciation, the 11% percentage may be derived from the net income. Not only would this alteration make the calculations simpler to comprehend, but it would also provide firms greater latitude to experiment with as many various combinations as they can when it comes to rewarding their managers and directors at the same time. Any business would be able to compete for the most qualified individuals to serve on its board of directors if there were no sub-limits placed on the salary of management professionals. Businesses have a duty to ensure that their remuneration structures accurately reflect the

professional independence of its non-executive directors and that the expectations placed on them for their level of responsibility are reasonable.

In order to ensure that the remuneration of independent and non-executive directors is proportionate with their contributions and the performance of the firm, it is essential that there be no unreasonable constraints placed on the compensation. When considering compartmentalized ceilings, it is essential to find a middle ground between the remuneration of management and the measures of social or regulatory monitoring. Executives in a number of developed countries, including India, received outrageous compensation in the last decades of the previous century. This confirmed the worst fears of shareowners regarding the possibility of conflicting interests between controlling-dominant shareholder-executives and other stakeholders. India was one of the countries that received this compensation. Through the use of a system of checks and balances, you have the ability to establish a maximum amount that requires authorization from shareholders, as well as another number that requires authorization from the central government.

Liabilities and disqualification

The Act of 1956 provides a system that is considered to be pretty reasonable when it comes to disqualifying directors. On the other hand, they will not be disqualified so long as they are able to rely on a leave of absence that has been allowed and do not attend board meetings for an extended length of time. Legislators are now deliberating about this issue and have come to the conclusion that this section need to be more stringent. Additionally, a mechanism that may identify the liability of independent directors for breaches of the law must to be designed and implemented. The lack of effective law enforcement continues to be a significant obstacle, despite the fact that there is a suitable organisation. Immediately, there is a pressing need to enhance the foundation for implementation.

Offences, penalties and investigations

When it comes to this matter, India has a long way to go. As things now stand, the Registrar of Companies (RoC) is required to submit a complaint with the court that has jurisdiction over the case in the event that a company or one of its officers commits an offence. Even for minor transgressions, such as failing to submit an annual report (for which a fine of 500 rupees per day is levied), the absence of an internal mechanism to address and resolve complaints is a concern. This is problematic since it makes it difficult to handle and resolve complaints. As a result, the RoC is tasked with the huge responsibility of pursuing businesses for violations that are deemed to be very minor. Considering that the courts are already overburdened with cases from other jurisdictions, both major and little complaints continue to accumulate and remain unresolved for a considerable amount of time. By the end of 2003, the total number of prosecutions that were still pending had reached 9,154. The possible penalty for about seventy percent of these violations is a monetary fee in the event that the culprit is found guilty. These cases have been floating about in limbo for a number of years. A additional impediment to the effectiveness of disposal is the absence of courts and judges that are specifically designated for prosecution. There is a dual function to this. The first reason is that reckless defaulters will continue to commit crimes since they are aware that they will be subject to disposal rates that are either slow or nonexistent. Second, it compels the RoC to deal with an excessive number of prosecutions, which is a significant burden. Finally, it has an impact on the management of the organisation. Additional cause for concern is the fact that the relatively little punishments that are mandated for certain offences do not act as a deterrent and are a matter of concern. On top of that, queries are placing an excessive amount of pressure on RoC. RoC is unable to undertake

comprehensive investigations because of the enormous number of Indian firms within its jurisdiction. It is necessary to conduct a comprehensive review of the violations, punishments, and investigative framework in order to make it more efficient and relevant. It is implied in the preceding discussion as well as in the Concept Paper that new infractions may be defined differently (in light of increased disclosure and compliance requirements), that fines and penalties will be more severe, that complaints will be processed more swiftly, and so on.

Operational management and control

Indian enterprises, particularly those that are operated by families, have a long history of juggling several obligations. These roles include those of owner, controller, manager, governor, actor, director, and, ironically, preserver and destroyer. The influence that management exercises on boards of directors, self-dealing, account manipulation, activities involving linked parties, and opaque financing distribution all contribute to the inherent lack of trust that exists inside these firms. At the same time as they are struggling to adapt to the paradigm shift in business, many of these companies have had their inefficiencies brought to light by the liberalization measures that were implemented in the 1990s. It is a significant problem, particularly considering that more than seventy percent of enterprises in India are owned and operated by families. Because of this, Indian business families are attempting to juggle two different agendas at the same time: first, they are attempting to react to the urgent need to change the strategy, operations, and finances of their firms; second, they are attempting to reimagining the position of the family in the dynamic and unpredictable Indian economy. As they begin the process of amending their own code of conduct, the business families have gained a better understanding of the existing condition of affairs which has become apparent to them. Keeping the personal and professional lives of family members separate has become an impossible hurdle as a result of the linked nature of their obligations.

MANAGEMENT

The most notable characteristic of Indian private sector enterprises' corporate governance practices is the widespread conviction in boards' ineffectiveness. Most private sector enterprises lack a board of directors, save for a few large, publicly listed companies. There are few independent directors, insufficient accounting standards, and minimal openness and disclosure. Many criticize institutional nominees. A determined attempt has been made to remove candidates from boards. If institutions lose board representation, boards will be even less responsible. The best option is to choose independent directors with competence in representing public and institutional shareholders. Accountability won't work theoretically for all dominant shareholders. A knowledgeable and unbiased board of directors is needed to ensure all shareholders benefit from increasing riches. The board of directors and senior management must grow and protect this wealth and its assets and resources. Systems for formulating policies and procedures for managing and conducting the firm support good corporate governance. Many large firms are run by the CEO and their executive staff, not the board of directors. A managing director is both a board director and an executive who reports to the board. Additionally, full-time CEOs who are board members have two independent duties. Also, full-time directors sometimes struggle to keep their servile relationship with the managing director out of the boardroom. The CEO creates the company's strategy, presents it to the board for approval, and ensures that it is implemented legally and ethically. Management must priorities shareholder profit while considering stakeholder interests and societal responsibility. Management needs the abilities and competencies to achieve this. Indian corporate governance changes depend on board

autonomy. Other efforts have been taken, but independent directors are viewed as crucial to this aim. Chief executives and chief financial officers are often required for public-interest groups.

CONTROL

In India, the board is responsible for the administration of the business as well as its leadership "laying down the code of conduct, overseeing the process of disclosure and communications, ensuring that appropriate systems for financial control and reporting and monitoring risk are in place, evaluating the performance of management, chief executive, executive directors, and providing checks and balances to reduce potential conflict between the specific interests of management and the wider interests of the company and shareholders including misuse of corporate assets and abuse in related party transactions." "12" In order to fulfill its duty of fiduciary responsibility, the board of directors is obligated to make certain that the organization's internal control mechanisms are powerful and effective. A suggestion was made by Cadbury that auditors should report to the board on the effectiveness of the internal control system, and the board should subsequently publish this information to the shareholders. As a result of the fact that directors are expected to assess the effectiveness of internal controls during their reviews, the Hampel Committee made the decision in 1998 to remove the term "effective" from this criteria. This decision was made due to the difficulties in defining the phrase. In addition to this, the committee was of the opinion that it would be more beneficial for the auditors to report in a secret manner to the directors rather than making public comments about the report that the directors had submitted regarding internal controls.

In addition to this, the Hampel Committee investigated not just financial controls but also other aspects of control in addition to the financial controls. The administration of finances, the evaluation and management of risks to an organisation, the maintenance of compliance with laws and regulations, the protection of assets (including the reduction of the chance of fraud), and other similar activities would now include these responsibilities. In many respects, the Canadian regulations are superior than the American standards in terms of their ability to address a wider range of requirements. This is quite comparable to the Canadian position that was presented in the year 1994. Take, for instance, the following as an illustration: "the board will want to ensure the corporation has an audit system which can inform the board on the integrity of the data and the compliance of the financial information with appropriate accounting principles." Specifically, this is in regard to the procedure of examining and approving information pertaining to finances. The emphasis is not on authenticating particular transactions or situations; rather, it is on ensuring that the appropriate systems are in place and being followed. The responsibility of the board is the primary concern.

Internal audit and assurance

Many efforts have been made to open and simplify the internal audit and assurance function to improve control. This will ensure that regulations are followed faithfully and that odd activity is recognized immediately, if not avoided, by financial and control mechanisms. However, the audit committee should be more proactive and the board should frequently be satisfied that the business is following the correct methods. The board hires skilled, unbiased specialists for internal audit and assurance jobs, ensures they have suitable seniority in the organisation, and plans and monitors their salary and promotion. In particular, any dismissal of internal audit heads or external service providers must be properly investigated to prevent arbitrarily firing an unpopular internal auditor and damaging the firm and its shareholders. Control issues, like all others, vary between the board's monitoring and the executive's

implementation. Statutory auditors must support the board in its supervisory function impartially, skillfully, and professionally. Auditor independence is crucial for the company. For efficient company management and control, internal auditors should have a corporate governance focus. The Institute of Chartered Accountants of India announced stricter internal and external audit criteria. However, auditors typically qualify their recommendations to avoid blame. This must be addressed. What makes an independent auditor has been debated. Financial independence is usually most significant in work and personal life. While initiatives are underway to separate audits from other service categories like consulting, some worldwide companies have started to follow this strategy. Several fee guidelines and arm's-length connectivity attempts have been established. The SEC created the Independence Standards Board to explain auditor independence. Business and audit professionals share board membership. SEBI, the ICAs, ICSI, and IITSA should form a comparable body that could start as an advisory body and become more regulatory. Though there are self-regulatory procedures in place and company law requires disqualification in audit appointments, the situation is constantly changing, and the likelihood of further internationalization of Indian industry suggests that these concerns may need further examination. Similar observations apply to the company's legal compliance framework. The company secretary, who currently oversees procedural formalities, will soon have a much more demanding role in ensuring best governance practices are followed in the board room, during committee work, and in transactional administration on a daily basis for shareholders and other stakeholders. This will defend the company's transparency and proprietary interests always.

Corporate autonomy

No more regulations or harsher penalties are required for improved corporate governance. In order to achieve the desired result, it is necessary to guarantee that there is enough transparency, disclosure, adherence to rules, and accountability. In the meanwhile, it is essential to recognize that the supremacy of the board of directors is dependent on the consent of the shareholders. Indian businesses are now confronted with compliance and approval requirements, which are preventing them from corporatizing their operations. These requirements impose a regulatory environment that is difficult, time-consuming, and costly on the corporations, and they also restrict the independence of the board. There are a number of compliance duties on this list that may be avoided by obtaining prior consent from the shareholders at a general meeting, submitting the proper paperwork at the appropriate centralized institution, and making disclosures that are acceptable in the annual report. By delegating some duties that need regulatory approval to the regional directors who are in charge of particular regions, it is feasible to accomplish certain jobs. The administrative system would be able to give better service as a result of this, and it would also be simpler for the applicant to contact with the appropriate authorities.

Reporting and disclosure

Under Indian law, a board of directors is required to give shareholders with an annual report on the company's operations. In addition, the forms that are required for compiling, auditing, and submitting the financials of the firm to the shareholders have been established. Additionally, the basic contents of the report and disclosure concerns have also been specified. At shareholder meetings that take place once a year, the auditors' report, which is a somewhat long document, is obliged to be read out loud. One of the responsibilities of the business is to provide its shareholders with enough information so that they may use their voting rights on the many issues that need their judgments. Once again, the business is obligated to provide shareholders with explanations that are both comprehensive and detailed on certain significant

matters that need a special resolution to be approved. The reporting rules that are now in place for Indian firms are completely out of date and do not satisfy the information requirements that stakeholders and shareholders have. There is an immediate need for corrective activities, and there is a chorus of voices asking that businesses reveal their actions and outcomes in a manner that fulfils the specific needs of the regulatory and legislative authorities. Such disclosure is necessary because there is an urgent need for corrective actions.

Companies that are publicly traded are required to make use of electronic media in order to communicate with their shareholders on a regular basis and provide them with information on their finances and other matters. There are a number of different reporting procedures that have been put into place, including segment reporting, related party transaction disclosure, deferred taxes, and account consolidation for subsidiary firms. Non-listed companies, on the other hand, are subject to a far lower level of scrutiny. The Institute of Chartered Accountants of India has developed the appropriate guidelines and recommendations for non-listed firms that are interested in adopting reporting methods. If Indian businesses wish to compete on a global basis, it is very necessary for their reporting needs to be in accordance with the regulations that are prevalent throughout the world. The government is facing a significant challenge in the form of the introduction of electronic registries, online filings, and online inspections online. The MCA is in possession of a vast amount of information from businesses in accordance with the laws, rules, and requirements of the 1956 Act. In light of the fact that the bulk of the material is already available for public viewing at the offices of RoC, a clearinghouse may choose to make the information contained in sensitive files available to the public via electronic means.

Integrity of financial statements

Although there have been considerable progress achieved by the government and professional groups in terms of increasing the openness and quality of the financial accounts, there is still a significant amount of work to be done. It is critical for shareholders to have confidence in the accuracy of the financial and other information that is disclosed in reports on the firm. The certification that the financial statements have been produced in conformity with widely accepted accounting standards is something that they need verification of. The National Advisory Committee (NAC) on Accounting Standards was established by the government via the updating of the Act that was passed in 1956. The National Accounting Council (NAC), which is an independent, high-level council of professionals, is the individual responsible for making recommendations about accounting standards to the government. It is necessary to conduct a rigorous reassessment and strengthen the process of establishing standards. The Institute of Chartered Accountants of India has made measures to improve the timeliness of accounting rules for significant topics such as the consolidation of subsidiary company accounts, the reporting of segment results, and other related topics.

Having said that, it is possible that there may be continued need for new actions in this respect. In comparison to their counterparts in other areas of the world, accounting methods in India are absolutely spot on. In light of the fact that an increasing number of foreign players are investing in Indian capital markets and an increasing number of Indian businesses are accessing global capital markets, it is only fair that Indian companies publish their financial reports in line with standards and best practices that are accepted worldwide. "GAAP accounts" and "Indian" accounts, on the other hand, continue to be handled differently by Indian firms, with a few notable exceptions. Some of these exclusions are significant. Unless it is expressly prohibited by Indian law or professional pronouncements, it does not seem that there is any

need to adhere to this practice. Indian shareholders and investors like to see financial reports created using standards that are similar with their own, with comments explaining any variances that are needed by Indian law or custom. This includes the inclusion of any remarks that explain any discrepancies.

Whistle blower

There is now a debate going on throughout the country over whether or not it is necessary to make the concept of whistleblowers more official inside its legal system. Because of the listing agreements of listed companies, the concept was formed as an optional requirement. It would be a worthwhile undertaking to take into consideration broadening the concept to include businesses that have a major public interest. As a check and balance, this is of utmost significance in a system that is now seeing a trend towards deregulation, the release of enterprises from state oversight, and self-regulation. Acts such as the Sarbanes-Oxley Act and other Australian legislation that deal with this concept are now being examined by our team.

Shareholder democracy and protection of minority interests

This issue has been a subject of political debate in the country as a result of the extensive number of large corporate scams that have occurred in the capital market over the course of the last several years. These scams have disproportionately harmed small investors. The majority shareholders have also oppressed the minority shareholders, and the minority shareholders have been pushing for action to put an end to this oppression. A number of measures have been adopted by the government in order to guarantee the protection of minority interests, the increased participation of shareholders, and the improvement of shareholder democracy. The objective of the Investor Education and Protection Fund is to provide shareholders with information on their rights and to assist them in their legal cases, in addition to safeguarding shareholders in legal matters.

An essential component of enhancing and reforming capital markets is the creation of a diverse range of share ownership arrangements that are in harmony with one another.

When this is the case, it is appropriate to ensure minority shareholders that their interests would be properly treated. At the same time, there is a mindset that asserts that in a market that is very competitive, everyone should look out for themselves and not expect someone to give them with specific aid or safety nets. Taking into consideration the diverse spectrum of skills shown by the individuals who are participating in the sector, it is abundantly clear that this situation is much too ideal to justify a comprehensive debate. In order to protect their own interests, every country and civilization does, in reality, ask for and provide cover in certain circumstances. The legitimacy of minority shareholder protection may be traced back to this basic concept. It is necessary to have a more modern monitoring system. There is evidence to show that activists for minority rights get funding from special interests. The implementation of corporate governance standards is the best approach to ensure that the interests of all shareholders are protected. A number of different individuals, including independent auditors, directors, and regulators, should be empowered by these measures.

Conclusion

In contrast to publicly traded organizations, unlisted firms often have more discretion in the governance arrangements that they have in place. The findings of this study indicate that board members have a crucial role in determining the corporate governance norms that are implemented in these businesses. Good governance is nevertheless essential for ensuring accountability, strategic monitoring,

and the long-term profitability of unlisted businesses, even in the absence of formal legal responsibilities and the absence of pressure from shareholders from the outside. The research comes to the conclusion that boards of directors of unlisted companies need to take the initiative to build governance frameworks that encourage transparency, ethics, and sound judgment. Businesses that are not publicly traded have the potential to enhance their governance frameworks, organizational performance, and stakeholder confidence by taking ideas from publicly traded corporations and putting those ideas to use for themselves. Board members play a critical role in directing the performance and integrity of unlisted firms, which is essential in today's fast-paced business environment. This is because board members are responsible for keeping these organizations competitive and well-managed.

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