
INDIAN LANDSCAPE OF CORPORATE GOVERNANCE IN THE AGE OF GLOBALISATION

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ABSTRACT

The concept of globalization and corporate governance is an interlinked relationship that is vital and important for understanding the landscape of business over the globe. Corporate governance helps to understand how a company runs and ensures accountability at every step. It further involves the interest of all its members including the directors, employees and all its stakeholders. Corporate governance is an indispensable component for exercising regulations and enforcing multifarious decisions over the timeline phases further ensuring fairness, transparency and effectiveness. Globalization on the other hand enhances transparency and fosters clear disclosures and harmonizes with international standards while exercising regulatory authority which further improves international operations and foreign investments. To elucidate in different words, globalization has multifaceted influence in driving corporate governance. The paper aims to reflect the multifaceted impact of globalization and corporate governance in the Indian scenario. The paper seeks to highlight how global law evolution ensures corporate accountability and immensely impacts the world of business within and across the borders.

INTRODUCTION

The interconnectedness of the world and its integration to the global trade market has brought changes in corporate governance and impacted India at large. Furthermore, it involved economic reforms, trade liberalization, and also paved the way to multiple opportunities for all. Globalization has vastly interlinked India and remaining countries of the globe through the medium of trade, technology and global standing at large. Globalization has been a medium to unlock doors of new opportunities, innovations and global collaborations. India before 1990's followed a protectionist economic policy with limited integration into the global market. A balance of payments crisis in 1991 forced India to adopt economic reforms. Trade barriers, liberalizing foreign investment and devaluing the Indian rupee were the included key reforms. Later in 1995 India embraced Global trade and became a member of World Trade Organization.¹ In simplest words, the methods of directing and regulating a company consisting of rules, practices and processes and over viewing its functioning mechanism refer to corporate governance. Globalization has changed the landscape of corporate regulations which has significantly impacted towards change of methods of business at large. Effective corporate governance in the indelible phase of Globalization benefits the employees and contributes to harmonized operation of business adhering to global standards. The corporate governance in India has evolved over time and the Companies Act of 2013² is one such significant development which ensures greater accountability and transparency with stricter enforcement. The advents of globalization in the scenario of India introduced Indian companies to international competition and adhere to global standards and stricter global norms of governance. Moreover, globalization has contributed to the growth of cross border economic activity besides economic boost and global connectivity.

Jagdish Bhagwati (2004) defines Globalization as “*integration of national economies into the international economy through trade, direct foreign investment (by corporations and multinationals), short-term capital flows, international flows of workers and humanity generally, and flows of technology.*”³ Despite of multifaceted positive impacts, Globalization also creates hindrance in the corporate governance for it's inevitable cultural conflicts and legal

¹Globalisation in India, NEXTIAS (Nov. 11, 2025), <https://www.nextias.com/blog/globalisation-in-india/> (last visited Nov. 11, 2025).

² Companies Act, 2013, No. 18, Acts of Parliament, 2013 (India).

³Jagdish Bhagwati, 2004.

conflicts and varying regulatory norms that ought to vary at different countries.

With the increased advent of world market and bloomed international trade the breadth of prosperity had also widened vastly for all and therefore India had also begun economic liberalization which had flourished in India in 1991 despite of unsuccessful attempts in 1966 and 1980. Liberalization a widely discussed term in simplest words is elucidated as removal of government control on economic activities typically focused on free market and trade. The primary objective of globalization was to encourage the engagement of multinational corporations which would contribute significantly to the global expansion of the Indian economy and increase the participation of private sector to economic advancement.⁴

Companies Act, 2013- A milestone for corporate governance

The mechanism of directing and controlling companies is known as corporate governance. It ensures transparency, fairness, accountability. With the advent of globalization, the Indian market is now open for international trade and investment. These international companies have multinational partners and thus demands higher regulatory standards and harmonization to global trade norms. Indian firms need to comply with the international norms on board composition, shareholder protection and financial reporting. In addition to ensuring comparability and transparency, International Standards of financial reporting has also been adopted. For ensuring stricter governance and accountability the Companies Act, 2013 has been a milestone for the context of India. The several statutes and compliances of the Companies Act, 2013 establishes stricter rules for the registration, foreign company operations, financial disclosures, all of which significantly contributes in strengthening the transparency and adaptability of higher norms of regulations in the Indian market at a period of time when globalization is at its peak and synonymous to development of the country at large. The companies' act of 2013 includes detailed procedure of all kinds of compliance including aspects like appointment, remuneration and retirement of the designated officials of the company. It also includes aspects like procedure of board meetings, shareholder meetings, maintenance of annual accounts, and procedure of incorporation, procedure of maintenance of profit and loss account, financial status report and annual return in any financial year. It also

⁴The Role Of Liberalisation In India's Economic Growth, ISPP (Oct. 13, 2023), <https://www.ispp.org.in/the-role-of-liberalisation-in-indias-economic-growth/>.

inserted CSR (Corporate Social Responsibility) provisions in the companies act, 2013.⁵ Companies act has been proved as pillar of corporate governance in ensuring transparency, such as revelation of all crucial details to shareholders. Moreover, it ensures accountability, responsibility and fairness. Thus the companies' act 2013 is a significant milestone that improved corporate accountability and transparency. It provides statutory compliances and ethical conduct by mandating disclosures. However, in contrary to all its advantages, many businesses view it as a formality and typically concerned with legal formalities.

Role of Regulatory Bodies

Regulatory authorities play an important role in guaranteeing that companies function effectively, responsibly and ethically. It ensures shared welfare of all the stakeholders are guarded and secured, on top of that also imposes limitations and liabilities on corporate hubs. There are various forms of regulatory bodies in addition to statutory bodies which stand separate from the executive wing of the ruling body. Thereafter, through government notification regulatory bodies are created adding up to self-regulatory bodies. The Ministry of Corporate affairs under the Companies act, 2013 made rules of regulation for corporate governance. The companies' Act, 2013 replaces the companies' act of 1956 which led to the introduction of number of new provisions that enhanced transparency, accountability and ethical responsibility. Another such regulatory body is Securities and Exchange Board of India (SEBI) whose primary objective is to regulate all the listed companies and includes a number of provisions to promote governance and variously elucidates requirements relating to disclosures both on stock exchanges and websites of the companies. Thereafter, the Reserve Bank of India (RBI) which regulates the banks in India. It ensures banking operations run smooth and safe.

Transparency and Accountability

Globalization has increased scrutiny in corporate governance by ensuring financial disclosures and ensuring increased accountability and maintenance of International standards and thus fostering global interconnectedness. Collaboration with international companies expands global scope and also leads to greater extent of scrutiny from foreign investors in addition to fostering best international practices. This overall leads to stronger internal controls, better risk

⁵Defmacro Software Private Limited, Compliances under the Companies Act 2013, CLEAR TAX (Apr. 21, 2025), <https://cleartax.in/s/compliance-under-companies-act-2013>.

management and transparent financial disclosures. Globalization has increased the demand for transparency and accountability. Moreover, the public can now have access to any information through the global network connectivity which in other words strengthens accountability of the government as well. Additionally, human rights organization and other such non state actors ensure the clarity and liability of the government. Globalization also brought about the standardization of regulations while harmonizing world trade practices.

Board composition

Globalization has significantly reshaped the structure of the contemporary business landscape and has determined almost every facet of corporate operation. Globalization has facilitated the integration of markets, technologies and process of production across countries and region. With the expansion in reach of companies, there has been considerable growth in international investment and cross border acquisition. This often results in corporation facing difficulties to align the interest of diverse stakeholders and ensuring reliability. Diversity in managerial framework and cultural norms across countries further complicates corporate governance, leading to lack of consistency and efficiency. Moreover, globalization has augmented the importance of transparency, disclosure and responsible corporate behavior in global market. As globalization surges, corporations face various challenges like difficulty in maintaining efficient governance structure, dispersion of ownership and control, hurdles in ensuring accountability, fairness and ethical conduct. Thus, these challenges necessitate a more substantial understanding of the key issues in governance arising from globalization and development of targeted solutions to address them.

Corporate governance emphasizes on the structure for controlling and managing a company and the board of directors, is the authority that enforces this framework. Board composition is an intrinsic part of corporate governance, through which accountability, responsibility and transparency is instituted and supervised within a company. Encouraged by Globalization, Indian companies are attempting to align their boards with global parameter to attract investors, remain competitive and maintain transparency. In India, Securities and Exchange Board of India (SEBI) was established in 1992, to transform the field of corporate governance, to secure the attention of investors in securities and to promote the growth of securities market. In the year 2000, SEBI formed a committee governed by Kumar Mangalam Birla, which made far

reaching recommendations in governance arena.⁶ Since then, SEBI or Government formed various committees like, Narayan Swami Committee, and the recommendations made by these committees were accepted and are now followed by the companies.

There might be two stances to understand board composition-

i. Mix of independent and executive directors:

Researches stresses on the requisite of having more non-executive directors in the board to fortify the attention of stakeholders from the opportunistic behaviour of executive directors.⁷ This is because independent directors will not get benefits or incentives by adhering to all the proposals of the management. Board independence is an exceptional method to secure the interests of investors' community. The presence of independent directors increases effective supervision of managers. The most beneficial aspect of independent directors in the board is their experience and notable connections they bring to the firm, which ultimately stimulates performance of the firm. For the purpose of measuring the board independence, the proportions of independent directors are taken into account.

ii. Mix of people in board based diverse attributes (eg: Gender, ethnic background etc):

Board diversity forms heterogenous group by incorporating various characteristics like, gender, age, educational and functional background and socioeconomic roots. It has been observed that while such groups are vulnerable to prolonged discussions and debates, but results in crafting of more balanced and better decisions. Embracing cultural diversity and including it into board composition, corporations can address challenges which arise due to diverse cultural norms, values and communication styles. It also helps to foster stronger stake holder relationship, enhance trust and navigate through complexities of global business environment. For example – if a board includes a member who has training and credentials in sustainability can help to steer the company's Environmental, Social and Governance (ESG) strategy.

India is vigorously adopting measures to harmonize corporate governance framework with international standards. India's Company law and SEBI act has been shaped by keeping in mind

⁶Saroj Kumar Routray and Ranjan Kumar Bal, Board Composition, Board Gender Diversity and Firm Performance: Evidence from India, vol. 12 Parikalpana KIIT J. Manag. 107, 108 (2016), *Saroj-Kumar-Routray-Ranjan-Kumar-Bal-107-120.pdf.

⁷Jensen, M.C. & Mechling, W.H., vol.3 Theory of the firm: Managerial behaviour, agency costs and ownership structure, Journal of Financial Economics, 305–360, 1976.

the governance principles stated in OECD, IFRS and Sarbanes Oxley Act (SOX). SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI (Corporate Governance) Code, 2020 are regulatory initiatives taken by SEBI performs pivotal role in shaping corporate governance standard. SEBI regulations establish that the obligatory appointment of independent directors and mandates companies to have a certain percentage of independent directors on their boards. This has been stated under Section 149(4)⁸ of Companies Act, 2013.

The Satyam Scandal of 2009, regarded as a prominent corporate fraud in India, emphasized on governance failure in global context. This case exposed inadequacies in board oversight, internal controls and auditor independence. It further illustrated that it is not feasible for an individual independent director to maintain good governance; instead it ought to be a collective effort. Good corporate governance is an outcome of collective decisions, with independent director playing major role.

Corporate Social Responsibility (CSR)

The notion of Corporate Social Responsibility (CSR) has grown to prominence in contemporary times. The increased focus on CSR has significantly altered the outlook of businesses internationally, with India being no exception. CSR prominently deals with the supervision of businesses and also focuses on how it creates cumulative positive effect on the societies, culture, communities and environment in which they function. CSR is a broad term with many implied and suggested meanings like, business ethics, environmental policy, corporate social performance, sustainability accounting and corporate accountability. Corporate governance and Corporate Social Responsibility (CSR) are two different concepts; however, they are interrelated to each other, since good corporate governance ensures efficient CSR. Corporate governance and CSR are closely interconnected as they indicate an organization's commitment towards stakeholders along with its interaction with the community as large.⁹

⁸Companies Act, No. 18 of 2013, Section 149(4) states:

"Every listed public company shall have at least one-third of the total number of directors as independent directors and the Central Government may prescribe the minimum number of independent directors in case of any class or classes of public companies."

⁹S. Young & V. Thyil, *Corporate Social Responsibility and Corporate Governance: Role of Context in International Settings*, 122 *J. Bus. Ethics* 1 (2014), <http://www.jstor.org/stable/42921413>.

Corporate Social Responsibility (CSR) is not a new concept to India; in fact, it has always been historically deep-seated phenomenon in the country. India is representative world's richest legacies of CSR. In 1965, the then Prime Minister of India, Lal Bahadur Shastri, while presiding over a national meeting, emanated the following declaration on corporate social responsibility:

“Business has responsibility to itself, to its customers, workers, shareholders and the community... every enterprise, no matter how large or small, must, if it is to enjoy confidence and respect, seek actively to discharge its responsibilities in all directions ...and not to one or two groups, such as shareholders or workers, at the expense of community and consumer. Business must be just and humane, as well as efficient and dynamic.”¹⁰

The framework of corporate philanthropy and Gandhian Trusteeship model is oldest forms of corporate responsibility in India. While the former was practiced in pre-independence era involving occasional donations made by business organizations, the later emphasized on practice where wealthy utilize their resources for common welfare rather than capital accumulation.

The advent of globalization has blurred national borders and rapid advancement in technology has accelerated time and camouflaged distance. This has made several companies realize that in order to be productive, competitive and relevant in rapidly transforming world, they have to become socially responsible. Corporate environment has witnessed radical change as result of globalization and various companies view it as an opportunity to grow their proficiency to handle their profits and risks, and to safeguard the prestige of their brand. Globalization has led to fierce competition among skilled employees, investors and consumer trust. Globalization has resulted in expansion of international trade by Multinational Corporation which has in turn resulted in awareness about CSR practices. Globalization has laid emphasis on CSR as a method to mitigate negative consequences like increasing income inequality and environmental unsustainability, which emerged amid globalization. The rise of competition at worldwide level framed consumers' and shareholders' perception. This made firms recognize and rethink corporate social responsibility and decision-making process concerning environmental, social

¹⁰Kate Brown, Corporate Social Responsibility: Perceptions of Indian Business 1 (Malini Mehra ed., Centre for Social Markets 2001) (quoting A. Mohan, Corporate Citizenship: Perspectives from India, 2 J. Corp. Citizenship 107 (2001)).

and ethical issues.¹¹

Globalization has extended the coverage and significance of CSR in India. Indian Companies Act, 2013 that replaced the previous Act of 1956, has made extensive changes affecting formation of the company, administration and governance and has also increased shareholder control over board decision. The Companies Act, 2013 has also imposed obligatory corporate social responsibility upon Indian companies and foreign companies operating in India. These obligations mandate companies to contribute some amount in order to remediate social problems. Schedule VII of the Act enumerates CSR initiatives and emphasizes on communities as the nexus. Clause 135 of the Companies Act, 2013 governs the concept of CSR in India. It states that the clauses of CSR apply only to those companies which have financial value of more than Rs. 500 crores, income of more than Rs. 1000 crores and net profit of more than Rs. 5 crores. Board of Directors of such companies must verify that in every fiscal year company spends at least 2% of its average net profits made during the immediately preceding three fiscal years in confirmation with its CSR policy.¹²

In contemporary times CSR is inclusive part of companies' governance structure, with boards supervising CSR initiatives and making sure that they are in conformity with broader corporate goals. For example, Mama Earth, a skin care brand, has integrated its CSR commitments like, 'Plant goodness' and 'Plastic Positive' as a pivotal part of its corporate governance policies. CSR and corporate governance are interdependent concepts; stronger governance ensures effective implementation of CSR policies.

Impact on Foreign Investment

Globalization has significantly influenced contemporary business landscape. Corporate governance has undergone substantial transformation due to globalization, ensuring accountability, transparency and ethical conduct within a corporation. Globalization has profoundly reshaped corporate governance practices, which made companies more attractive to foreign investors and enhance foreign investment. Investment decisions of the investors are intimately linked with governance concern and these investors may transform the governance and performance of the firms in which they invest. Corporate governance plays a key factor in

¹¹The Effect of Globalisation on Corporate Social Responsibility, UKEssays (2015), <https://www.ukessays.com/essays/economics/the-effect-of-globalisation-on-corporate-social-responsibility-economicsessay.php> (last visited November 8, 2025).

¹²ClearTax, <https://cleartax.in/s/corporate-social-responsibility> (last visited November 8, 2025).

determining the quality of a firm and it is often gauge by the investor before investing in the firm.

Globalization has encouraged Indian companies to enhance their corporate governance by incorporating practices like strengthening of risk management set up, greater financial disclosure and including independent directors for the welfare of minority shareholder. Rigid corporate governance standards introduced by regulatory bodies like SEBI (Securities and Exchange Board of India) have increased transparency and accountability of Indian firms, making them center of attraction for international investors.

Increased integration of businesses into global economy heightens the expectations of investors, customers and other stakeholders for transparent and responsible governance. Globalization has resulted in greater accountability and transparency in corporate governance; this has fostered a very facilitative atmosphere for foreign investments and mitigated the risk associated with corporate fraud and mismanagement.

India is identified as one of the emerging markets globally, reflecting its crucial role in global economic framework. A report suggests that investors are expected to pay a higher premium for better governance in an emerging market firm compared to the premium they might pay for firm with better governance in developed market. This reason behind this variance is, developed market investors utilize good governance as a tool to prevent problems such as fraud mismanagement or losses and avoid risks. On the other hand, emerging market investors view good governance as a tool to grow and improve profits, since these markets have higher challenges regarding transparency and management quality, investors make sure that companies are well managed from start, which helps them to decide whether investment will be profitable or not.¹³

The relaxation in FDI norms in various sectors by the government has further enabled smoother exit and entry of multinational corporation thereby enhancing investors' confidence. To some extent globalization has also replacement of the Companies Act, 1956 with the Companies Act, 2013 which brought stricter disclosure norms, accountability and emphasized the responsibility of independent directors. This has aligned Indian firms with the international norms, which in

¹³Vikramaditya Khanna & Roman Zyla, Corporate Governance Matters to Investors in Emerging Market Companies, Int'l Fin. Corp. (IFC), World Bank Group (2011), https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resources/publications/emerging_markets_investor_survey.

turn has resulted increased foreign investments and has enhanced India's position in the global economy.

CONCLUSION

Good corporate governance in evolving business landscape has developed as a powerful tool of competitiveness and sustainability. Global emulation in the market requires the companies to amalgamate best planning management, innovative ideas and value based corporate governance to develop and flourish in international market.

Harmonizing Indian corporate governance with international expectations is important for strengthening transparency, accountability, and competitiveness in global market. Regulatory bodies like SEBI focuses on investor protection, prioritizing minority shareholders. Inclusion of independent members in audit committees helps to ensure accurate financial report which in turn reduces the risk of fraud. Inclusion of independent directors has diversified board, promoting different perspectives and views. These measures have significantly contributed to the building of market trust and attracting foreign investment.

Increasing business practices and risks are among the prominent reasons for development of corporate governance. Contemporary challenges like cybersecurity and digital business models necessitate updated regulations. The framework of SEBI must be updated to address emerging challenges.

The Indian framework of corporate governance showcases blend of traditional practices and global, modern practices. This encourages Indian companies to enhance transparency, attract investment, fulfillment of social responsibilities and compete effectively in global platform. Indian companies with corporate governance and their integration into global economy, plays crucial role in shaping global competitiveness.