

Corporate Governance and Legal Accountability: An Analysis of Recent Regulatory Reforms

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Abstract

After corporate scandals, financial crises, and rising transparency and accountability demands, corporate governance has become essential to sustainable company operations and investor confidence. current corporate governance regulatory developments and their effects on legal responsibility and stakeholder rights. The study examines how regulatory developments in India—such as the Companies Act, 2013, SEBI amendments, and the emphasis on independent directors and board committees—and international frameworks like the OECD Principles of Corporate Governance, the UK Corporate Governance Code, and the U.S. Sarbanes-Oxley Act seek to balance managerial autonomy with shareholder and stakeholder interests. Improved disclosure regulations, tighter auditing standards, CSR obligations, and regulatory bodies' expanding engagement in compliance monitoring are given special attention. the success of these measures in reducing corporate misbehavior, increasing director and executive accountability, and promoting ethics. Regulatory reforms have enhanced governance frameworks, but enforcement, regulatory arbitrage, and tensions between formal compliance and actual accountability make implementation difficult. The evolving jurisprudence of corporate governance analyzes Indian and international experiences and argues that future reforms must integrate legal accountability with ethical responsibility to protect investor interests and align with societal and sustainability goals.

Keywords: Corporate Governance, Legal Accountability, Regulatory Reforms, Companies Act 2013, SEBI Regulations

Introduction

The importance of good corporate governance to openness, responsibility, and the longevity of companies has made it a hot topic in public policy, corporate law, and company management. Financial system instability and stakeholder confidence erosion can be caused by unethical behavior, poor governance, and a lack of accountability, as shown by the fall of big businesses like Enron, WorldCom, Satyam, and others. The public, investors, and regulators are all interested in corporate governance as a result of the increased globalization and interconnection of firms. At its core, good corporate governance is based on holding boards, executives, and directors to account for their actions within the bounds of legal responsibility, fulfilling their fiduciary duties, and protecting the interests of all parties involved. Led by the lessons learned from financial crises and corporate scandals as well as the increasing need for ethical business practices that are in line with ESG concerns, there have been massive changes in corporate governance across jurisdictions in recent years. Board independence, disclosure, auditing, and corporate social responsibility (CSR) spending have all been significantly bolstered by recent

reforms in India, including the Companies Act, 2013 and revisions to SEBI regulations. The goal of these changes is to bring Indian corporate governance practices in line with international norms, such as those outlined in the Sarbanes-Oxley Act, the UK Corporate Governance Code, and the OECD Principles of Corporate Governance. The main focus has been on making sure that corporate decision-making is rooted in a culture of ethics and that governance processes go beyond mere compliance. Legal frameworks must progress beyond shareholder primacy when sustainability and stakeholder-centric approaches intersect with corporate governance on a global scale.

Evolution of Corporate Governance Globally

As company structures, stakeholder expectations, and the state's involvement in business regulation have evolved throughout the past century, so too has the idea of corporate governance. The fundamental premise of the early shareholder-centric models of corporate governance in Europe and the US was that management's principal duty was to increase the wealth of shareholders. Berle and Means (1932) outlined how the division of ownership and control created the possibility of conflicts of interest between powerful managers and scattered stockholders, which influenced this orientation. The first governance measures that attempted to solve these agency difficulties placed an emphasis on external auditing, shareholder voting rights, and financial disclosure as protections against managerial opportunism.

In the aftermath of corporate scandals and financial crises, the world started to change towards the end of the twentieth century. Following the downfall of major American firms like Enron and WorldCom, the Sarbanes-Oxley Act of 2002 (SOX) was passed, imposing strict regulations on financial reporting, auditor independence, internal controls, and certification of financial statements by the chief executive officer or chief financial officer. Both the United States and other countries looked to SOX as a blueprint for governance reforms after it rethought corporate accountability. The independence of boards, the function of non-executive directors, and the division of responsibilities between the chief executive officer and chairperson were all emphasized in the 1992 Cadbury Report, which served as the basis for the UK Corporate Governance Code. A more nuanced "comply or explain" strategy that reconciled regulation with corporate discretion was developed as a result of subsequent studies like Greenbury (1995), Hampel (1998), and Higgs (2003), which improved upon governance norms.

Since its initial publication in 1999 and subsequent revisions in 2004 and 2015, the OECD Principles of Corporate Governance have served as a significant reference point for governments, regulators, and businesses worldwide. In order to promote convergence in governance standards across jurisdictions, the OECD principles centered on shareholders' rights, the board's duties, and openness. In a similar vein, the ICGN established worldwide norms to promote responsible stewardship and the development of long-term value.

Corporate Governance Reforms in India

Over the last 20 years, there has been a marked improvement in India's corporate governance practices, which is a direct result of the widespread belief that strong leadership is essential to fostering trust among investors, ensuring long-term economic success, and holding companies to account. The Companies Act, 2013 was a turning point in this development since it

introduced comprehensive changes that brought Indian business procedures in line with international norms. To improve monitoring and decrease conflicts of interest, one of its most striking features was the requirement that boards of publicly traded businesses hire independent directors. In order to maintain a system of checks and balances in decision-making, the Act also highlighted the significance of board committees such as the Audit Committee, Nomination and Remuneration Committee, and Corporate Social Responsibility (CSR) Committee. The Act sought to increase board accountability to stakeholders and shareholders by formalizing the function of independent directors and enhancing directors' fiduciary responsibilities. Section 135 of the Companies Act imposed statutory requirements for corporate social responsibility (CSR), which stood out among the changes in India. Companies in India are required by law to invest a minimum of 2% of their average net income in socially good initiatives, making the country one of the pioneers in this field. This provision broadened the focus of corporate governance from just protecting shareholders to include considering the interests of other stakeholders, bringing corporate responsibility in line with society's developmental requirements.

The Securities and Exchange Board of India (SEBI) has been instrumental in shaping governance through its regulations, especially the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR). These regulations, which ran parallel to the Companies Act, standardized disclosure requirements for listed companies, introduced strict norms on related-party transactions, improved transparency in financial reporting, and, to prevent excessive concentration of power, mandated the separation of the roles of Chairperson and CEO for certain large firms. In order to guarantee that investors are provided with accurate and up-to-date information, SEBI has further tightened standards on insider trading, safeguarding minority shareholders, and audit quality. Improvements in board composition, audit quality, and disclosure standards were recommended by the Kotak Committee on Corporate Governance (2017), which further hastened reforms. A number of its suggestions were adopted and incorporated into regulatory frameworks by SEBI. These included strengthening the position of independent directors, raising the minimum frequency of board meetings, and guaranteeing gender diversity by requiring a minimum of one female independent director. These actions demonstrated once again that good governance is about more than just following rules; it's also about creating a welcoming and ethical work environment for all employees.

Conclusion

There has been a worldwide movement in corporate governance over the last several decades away from an overly focused on shareholders model of accountability and toward one that is more inclusive of transparency, ethical responsibility, and stakeholder interests. Sarbanes-Oxley in the US, the Corporate Governance Code in the UK, and the OECD Principles that establish worldwide standards for responsibility were all governmental reactions to corporate scandals and financial crises that highlighted the risks of poor governance. By passing the Companies Act, 2013 and implementing SEBI changes that followed, India has followed these trends worldwide. These reforms have increased the importance of board oversight, strengthened disclosure rules, established corporate social responsibility obligations, and mandated independent directors. As a result of these reforms, India's governing institutions are

now far more in line with global best practices. However, problems such as regulatory arbitrage, a compliance-over-substance culture that prevents real responsibility, and enforcement gaps still exist. In addition to legal requirements, the success of corporate governance changes hinges on the sincere effort put into implementing them and the promotion of an ethical work environment. Moving forward, it will be crucial for corporate governance to incorporate ESG principles into frameworks, have stronger enforcement mechanisms, and actively involve stakeholders if it is to go beyond mere formality and truly embody responsibility and sustainability. Corporate governance reforms should aim for a middle ground between overly micromanaging regulators and too laissez-faire management styles. This will make sure that businesses can drive economic growth while also answering to shareholders, communities, and the law.

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