

**“SHAREHOLDER’S RIGHTS UNDER COMPANIES ACT 2013 AND
THEIR IMPACT ON CORPORATE GOVERNANCE”**

**CHAPTER I –
CORPORATE GOVERNANCE AND
EVOLUTION OF CORPORATE GOVERNANCE**

• **Meaning of Corporate Governance** –

The concept of corporate governance has been defined on both national and international level. The Organization for Economic Cooperation and Development (“OECD”) has defined corporate governance as “*a system by which business corporations are directed and controlled.*” In India, the Confederation of Indian Industry (“CII”) has stated that “*corporate governance deals with laws, procedures, practices and rules that determine a company’s ability to take informed managerial decisions vis-à-vis its claimants – in particular, its shareholders, creditors, customers, the State and employees.*”¹

As derived by these definitions, corporate governance provides a structure for distribution of rights and responsibilities among various stakeholders. The key stakeholders being, Board of Directors, key managerial personnel, shareholders and other officers and employees. The corporate governance structure of a company not only provides for the rules and procedure for making business and management decisions but also outlines the ethics and values of a company. It also provides the mechanisms by which companies, and those in control, are held accountable.

Thus, good corporate governance structure not only helps the company set its goal but also provides the means of achieving these goals and monitoring performance of those accountable for the same. It also provides a mechanism by which the interest of directors and investors can align by ensuring transparency in decision making process and providing a mechanism by which the management and board can be held accountable to shareholders. The primary objective of corporate governance is to ensure that a company operates in a manner that is fair, transparent and accountable to all stakeholders. Good corporate governance aims at maximizing long term shareholder value.²

• **Evolution of Legal Framework on Corporate Governance in India** –

- ***Prior to Independence***

The corporate entities during this phase were subject to colonial laws and regulations, hence they mainly catered to British employers. The Companies’ Act was first enacted in 1866 and then amended in 1882, 1913 and 1932. However, the act failed to provide for corporate governance as that was an era of misuse of resources and power.³

¹ Smita Jain, Corporate Governance—National and International Scenario, 33rd National Convention of Company Secretaries, p. A-71 <https://www.icsi.edu/media/webmodules/programmes/33nc/33souvearticle-smitajain.pdf>

² Smita Jain, Corporate Governance—National and International Scenario, 33rd National Convention of Company Secretaries, p. A-71 <https://www.icsi.edu/media/webmodules/programmes/33nc/33souvearticle-smitajain.pdf>

³ Bhumesh Verma, Himani Singh, Evolution of Corporate Governance in India, SCC, Nov 13, 2019 <https://www.scconline.com/blog/post/2019/11/13/evolution-of-corporate-governance-in-india/>

- *Post Independence*

Companies Act 1956 was introduced in the legal system, serving as the cornerstone for corporate governance. It focused on company's structure, board of directors and responsibilities and shareholders' rights.

Thereafter, economic liberalization and globalization in 1991 also led to significant reforms. The Securities and Exchange Board of India ("SEBI") was made a statutory body in 1992, which has played a crucial role in strengthening corporate governance regulations by making regulations on disclosures, investors' protection, board structure, etc.

- *CII (1996)*

CII took the first institutional initiative on corporate governance. It aimed to promote and develop a code for companies, both in public and private sectors, as well as for financial institutions. The code was concerned with providing security to investors, encouraging transparency within the industry, and adopt international standards of disclosure of information by corporate entities. The final draft of the Code for Corporate Governance was introduced in April 1998.⁴

- *Kumar Managlam Birla Committee*

SEBI formed a Committee on Corporate Governance under the chairmanship of Shri Kumar Manglam Birla on May 7, 1999. The Committee was formed with the goal of elevating corporate governance standards, primarily from the viewpoint of investors and shareholders. The Committee was given the task to formulate a code appropriate for the Indian corporate environment. The Committee's proposal included number of recommendations towards corporate governance, including forming audit committee, changes to Board of Directors' composition, emphasizing role of independent directors, and improving financial reporting etc. On the basis of these suggestions, SEBI issued the listing agreement i.e., clause 49.⁵

- *Naresh Chandra and Narayan Murthy Committee*

Naresh Chandra Committee was formed by Department of Company Affairs on August 21, 2002 with the objective to examine issues relating to statutory auditor such as appointment and rotation, audit fees, etc. The suggestions of the committee were incorporate in Companies (Amendment) Bill, 2003.⁶

Narayan Murthy Committee was formed by SEBI for examining the role of independent directors, code of conduct and financial disclosures, etc. The Committee's suggestions were included in the revised Clause 49 of the Listing Agreement.

- *Current Legal Framework*

Despite the measures suggested by the Committees and implemented by the Govt., scams like the Satyam Scam highlighted the failure of the system and lack of proper corporate governance,

⁴ Bhumesh Verma, Himani Singh, Evolution of Corporate Governance in India, SCC, Nov 13, 2019 <https://www.scconline.com/blog/post/2019/11/13/evolution-of-corporate-governance-in-india/>

⁵ Smita Jain, Corporate Governance—National and International Scenario, 33rd National Convention of Company Secretaries, p. A-71 <https://www.icsi.edu/media/webmodules/programmes/33nc/33souvearticle-smitajain.pdf>

⁶ Smita Jain, Corporate Governance—National and International Scenario, 33rd National Convention of Company Secretaries, p. A-71 <https://www.icsi.edu/media/webmodules/programmes/33nc/33souvearticle-smitajain.pdf>

which then lead to formation of new laws and regulations in order to strengthen the corporate governance structure. The Companies Act 1956 was replaced by Companies Act 2013 and the listing agreement was replaced by SEBI (Listing Obligations and Disclosure Requirement) Regulation, 2015.

- **Corporate Governance under Companies Act, 2013** –

After scams, like the Satyam Scam, the Indian legal system was shaken and the failure in the system of corporate governance was highlighted. Companies Act, 1956 was replaced with Companies Act 2013.

Companies Act 2013, along with its rule, revamped the corporate governance framework in the Indian legal system. It changed Board's composition, mandated formation of audit committee, remuneration committee, etc. These changes were aimed at increasing the transparency and accountability in corporate management.

Here are some of the key provisions relating to corporate governance under Companies Act, 2013.

- ***Board Composition and Independence***

Section 149 mandates that every listed company shall have at least one-third of its Board as independent directors. Additionally, as prescribed under the rules, certain unlisted public companies are also required to have minimum of two independent director on their Board.

Sub-section 6 lists criteria that a person must fulfil in order to be appointed as Independent Director. Further, 149(8) states that the company and independent director must abide by the Code of Professional Conduct enriched under Schedule IV.⁷

The Section also mandates that the Board must have at least one woman director.

- ***Committees***⁸

1. ***Audit Committee*** –

Section 177 mandates that every listed company as well as unlisted public company as prescribed under the rules, shall formulate an Audit Committee, comprising of at least three directors, the majority of which shall be independent director.

The committee is responsible for reviewing the financial reports and disclosures of the company. Section 138 also mandates internal audit for certain classes of companies. The Audit Committee also has power to investigate into certain matters.

2. ***Nomination and Remuneration Committee*** –

⁷ Report no. 18 of 2018, Chapter III, Corporate Governance

https://cag.gov.in/uploads/download_audit_report/2018/Chapter_3_Corporate_Governance_of_Report_No_18_of_2018_-_Compliance_Audit_on_General_Purpose_Financial_Reports_of_Central_Public_Sector_Enterprises_of_Union_Governme.pdf

⁸ Anith Johnson, Corporate Governance under Companies Act 2013, October 10, 2017
<https://blog.ipleaders.in/corporate-governance-companies-act-2013/>

Section 178 mandates the formation of Nomination and Remuneration Committee, comprising of at least three non-executive directors, half of which shall be independent director. The committee is responsible for formulating the criteria on which qualifications, attributes and independence of directors will be evaluated as well as formulate a policy on remuneration of directors and key managerial personnel and recommend the same to the Board.

3. Stakeholders Relationship Committee –

Section 178(5), if a company consists of more than one thousand shareholders, debenture holder, deposit holder and any other security holder at any time during a financial year, then such company shall constitute a Stakeholders Relationship Committee. The chairperson of such committee shall be a non-executive director. It shall be responsible for resolving the grievances of security holders of the company.

- Corporate Social Responsibility

Section 135 mandates certain companies that meet the listed criteria of net worth, turnover or profit, to spend at least 2% of their average net profits over the last three financial years on CSR activities.⁹ Such companies must also constitute a CSR Committee, consisting of at least three directors, one of which shall be an independent director.

- Related Party Transactions

The company cannot enter into transactions with relatives of directors and key managerial personnel without the approval of Board as per Section 188. Furthermore, in case of listed companies, material related party transactions need to be approved by Shareholders as well as per SEBI LODR Regulations.¹⁰

- Financial Reporting and Disclosure

Section 134 mandates that the Board's report shall include detailed disclosures of company's affairs, financial performance, risk management policy and details of directors' and key managerial personnel's remuneration. Further, the audit report must be attached with financial statement.¹¹

- Vigil Mechanism

Section 177(9) provides for whistleblower mechanism. It mandates that every listed company and other class of companies as prescribed, shall establish in their workplace a vigil mechanism for Directors and employees to report genuine concerns.

Furthermore, sub-section 10, requires that the vigil mechanism shall provide adequate safeguards against victimisation of person who is using the mechanism and also provide direct access to chairperson of Audit Committee in exceptional cases.

⁹ https://www.mca.gov.in/Ministry/pdf/CompaniesActNotification2_2014.pdf

¹⁰ Report no. 18 of 2018, Chapter III, Corporate Governance

https://cag.gov.in/uploads/download_audit_report/2018/Chapter_3_Corporate_Governance_of_Report_No_18_of_2018_-_Compliance_Audit_on_General_Purpose_Financial_Reports_of_Central_Public_Sector_Enterprises_of_Union_Governme.pdf

¹¹ https://cag.gov.in/uploads/download_audit_report/2021/8_C-4%20Corporate%20Governance-061bb1b6d98c843.75300583.pdf

These provisions highlight how far the corporate governance legal framework has developed. It started from the inadequate laws and rules during the colonial era but has now evolved into comprehensive law under Companies Act, 2013 and other SEBI Regulations.

The concept of corporate governance began as merely keeping an oversight on companies, their registration process, but now these changes have established robust structures like board composition and independent director, audit committee, financial disclosure, CSR activities. Corporate governance has become a crucial framework for ensuring that companies operate in a fair, transparent and accountable manner, safeguarding the interest of all stakeholders. It monitors the overall functioning of the company and effective corporate governance ensures long-term sustainability and ethical conduct of business. The continuous refinement of corporate governance legal framework highlights the importance of adapting to emerging challenges.

CHAPTER II –

SHAREHOLDER’S RIGHTS UNDER COMPANIES ACT, 2013

With growing awareness and shareholder activism, the shareholder rights under Companies Act have also evolved. The Companies Act, 2013 provides a plethora of rights to the shareholders of a company. The shareholders have the right to vote in meeting, right to dividend, right to transfer their shares, right to appoint the directors and auditors, right to surplus in winding up, etc. Apart from these rights, the minority shareholders are provided with special rights in case of amalgamations as well as legal recourse in case of oppression.

These rights ensure that shareholders have active participation in the decision-making process of the company as their participation is crucial for aligning the board’s interest with the interest of shareholder and the company. These rights also empower shareholders to hold the board of directors and the company accountable for any fraud or wrongful conduct.

Furthermore, there are several important decisions that are kept reserved to the shareholders. Some of these decisions are¹² –

- Mergers and Amalgamations
- Variations of shareholder rights
- Alteration in Memorandum of Association or Articles of Association
- Approval of audited financials and board reports
- Reduction in capital
- Liquidation of company
- Declaration of Dividend
- Sale of undertakings

• **Key Provisions Under Companies Act, 2013 Relating to Shareholder’s Rights** –

- ***Voting Rights***

Section 47 grants the shareholders the right to vote in proportion to their paid-up share capital. Generally, each share grants one vote but Section 43 allows issuance of equity shares with differential or superior voting rights, in such circumstances, one share can grant more than one vote.¹³ However, preference shareholders do not get voting rights.

Section 107-110 provides various methods for voting, like show of hands, postal ballot, electronic means, and polling. Electronic means enable wider participation.

- ***Right to Attend General Meetings***

¹² Ashish Gupta, Rahul Chadha, In brief: Shareholder Rights and Powers in India, May 20, 2022
<https://www.lexology.com/library/detail.aspx?g=531ae356-017a-427b-9a97-a65dfbfec0e>

¹³ LKS, Issuance of shares with differential voting rights, June 4, 2019
<https://www.lakshmisri.com/insights/articles/issuance-of-shares-with-differential-voting-rights/>

Shareholders not only have the right to attend Annual General Meeting¹⁴ but they also have the right to direct the director for calling an extra general meeting, given that the shareholders hold at least ten percent of the paid-up share capital.¹⁵

- ***Right to Proxy***

Section 105 gives the members the right to appoint another person as proxy, who can attend and vote in the meeting on their behalf. The proxy acts a representative of the member; however, proxy doesn't have permission to speak in the meeting, unless articles permit the same.

The proxy can only vote if the member had the right to vote and they can only vote through polling or show of hands, if the article permits¹⁶. The proxy need not be a member of the company.

- ***Appointment of Director***

Shareholders have the right to appoint directors in general meetings by passing ordinary resolution.¹⁷ Additionally, the shareholders can also appoint nominee director, alternate director who will act as alternate director for 3 months, additional director who will hold the post until next general meeting and director appointed in case of casual vacancy.¹⁸ The shareholders also have the right to challenge any resolution passed for appointment of director in general meeting.

- ***Removal of Director***

Section 169 provides the members the right to remove a director before expiry of his term by passing an ordinary resolution, other than a director appointed by Tribunal, after giving the director a reasonable opportunity of being heard.

- ***Right to Take Legal Action***

Section 245 provides the shareholders right to file class action suits against directors for wrongful acts or omission. Furthermore, under Section 241, the shareholders can seek relief from Tribunal if the company is acting in manner prejudicial to public interest, or in manner oppressive to any member or in manner prejudicial to the interests of company.

For instance, the shareholder can seek legal action against company or directors, if there is diversion of funds or assets are being transferred at undervalued rate.¹⁹

¹⁴ Section 96, Companies Act, 2013 <https://www.mca.gov.in/content/mca/global/en/acts-rules/ebooks/acts.html?act=NTk2MQ==>

¹⁵ Section 100, Companies Act, 2013 <https://www.mca.gov.in/content/mca/global/en/acts-rules/ebooks/acts.html?act=NTk2MQ==>

¹⁶ Ashish Gupta, Rahul Chadha, In brief: Shareholder Rights and Powers in India, May 20, 2022 <https://www.lexology.com/library/detail.aspx?g=531ae356-017a-427b-9a97-a65dfbfec0e>

¹⁷ Section 152, Companies Act, 2013 <https://www.mca.gov.in/content/mca/global/en/acts-rules/ebooks/acts.html?act=NTk2MQ==>

¹⁸ Kumar Gourav, Rights and Duties of Shareholder of a Company, June 09, 2018 <https://blog.ipleaders.in/shareholders-rights-duties/>

¹⁹ Kumar Gourav, Rights and Duties of Shareholder of a Company, June 09, 2018 <https://blog.ipleaders.in/shareholders-rights-duties/>

These provisions highlight how the Companies Act, 2013 has significantly not only strengthen the shareholder rights but by empowering the shareholders, it has enhanced the corporate governance structure as empowered shareholders can hold directors accountable. The active participation of shareholders and the right to vote on material decisions ensures that company's interests are aligned with the investor's growth. These provisions also enhance the transparency in corporate operations and provide a mechanism to keep check on these operations.

CHAPTER III –

IMPACT OF SHAREHOLDER’S RIGHTS ON CORPORATE GOVERNANCE

The concept of corporate governance has evolved over the last two decades. However, with the enactment of Companies Act, 2013, the concept of corporate governance has really been solidified under the legal system. The Act not only lays down various provisions for corporate governance but also has enhanced the rights of shareholders.

Enhancement of shareholders rights has led to strengthening of corporate governance in companies. These rights empower shareholder to actively participate in company affairs, which ensures transparency and fairness. The shareholders also have right to challenge resolutions and seek legal action against company and its director, which ensures better responsibility and accountability on part of company and its directors.

- **Analysis of Shareholder’s Rights and Its Impact on Corporate Governance –**

- ***Enhanced Transparency and Accountability***

Shareholders have the right to receive notice of meetings, right to attend and vote in meeting and right to receive dividend. Such rights have helped enhance the transparency in decision making process and hold the company and directors more accountable for their actions.

The companies act 2013 ensures that timely notices are sent before conduct of meeting. This ensures that the shareholders get duly notified about meetings, which ensures maximum participation by the members. Further, as the shareholders have been given the right to vote on various important matters, like appointment of directors, auditors, mergers, etc., this guarantees that there is transparency in the decision-making process. Making shareholder resolution a common practice for important decision has helped promote transparency in the conduct of company’s affairs.

Moreover, shareholders also have the right to challenge the resolutions passed, they have the right to remove a director before expiry of his term, they also have right to legal action and recourse in certain cases. Empowering of shareholders ensures that the company and directors will act in a fair and transparent manner as the members have the power to hold them accountable. Thus, empowering shareholders also leads to better accountability on part of directors.

For instance, Zee Entertainment Enterprises Private Limited (“Zee”), a publicly traded company and Invesco Developing Markets Fund (“Invesco”), an institutional shareholder of Zee was brought before the Bombay High Court in 2021. The issue arose when Zee refused to schedule a shareholders’ meeting in response to a requisition notice from Invesco, which is a right granted to shareholder under Section 100. The notice asked for removal of three directors and appointment of six new independent directors. Invesco issued a petition to NCLT under Section 98 to call the requested meeting. Simultaneously, Zee applied for an injunction to stop

Invesco from acting in accordance with the requisition and received approval from the Bombay High Court.²⁰

However, the Single Judge's ruling was overturned by the Division Bench of the High Court. The court held that the term "valid requisition" under Section 100(4) has to be interpreted literally and should be limited to procedural compliance, the object of the demand is not of any relevance. The Court relying on the decision of Supreme Court in Life Insurance Corporation of India v Escorts Ltd, held that it cannot depart from set precedent as it would result in undermining the shareholder democracy by supporting the restrictive behaviour displayed by the Board. Zee was under an obligation to call the meeting.²¹

This case against Zee is a fine example of how empowering the shareholders has led to strengthening of corporate governance structure as it has increased accountability on part of company and its directors.

- Checks and Balances on Management

The companies act 2013 provides shareholders the right to appoint statutory auditors, on the recommendation of Board and the Audit Committee. The auditors have the responsibility to ensure proper financial disclosures are made by the company. The shareholders have access to company's documentations such as financial statements and minutes of meeting.²² This allows shareholders to monitor management decisions and financial performance and accordingly take informed decision in general meetings. This acts as a check on management and prevents any mismanagement.

Furthermore, participation of shareholder in significant corporate decisions like mergers, related party transactions, etc., ensures that decisions taken by the Board aligns with the shareholder interests and no such decisions are taken which are prejudicial to the shareholder, company's interest or public interest.

For instance, in 2014, Tata Motors Ltd. asked the consent of shareholders to give greater remuneration to the company's top three executives. As the remuneration surpassed the established threshold, a special resolution was required. However, the proposal was rejected as the Board was unable to secure the necessary seventy-five percent majority approval required for a special resolution. The reason for shareholders not passing the resolution was that the remuneration sought was inconsistent with the company's performance.²³ This is a fine example of shareholder activism and how empowering the shareholders provides a check on management and has enhanced the overall corporate governance structure.

²⁰ Khaitan & Co., Shareholder Activism in India, October 31, 2023
<https://www.advoc.com/news/shareholderindia>

²¹ Khaitan & Co., Shareholder Activism in India, October 31, 2023
<https://www.advoc.com/news/shareholderindia>

²² Khurana & Khurana, Shareholder's Right And Their Impact On Corporate Governance, June 13, 2024
<https://www.mondaq.com/india/shareholders/1478426/shareholders-right-and-their-impact-on-corporate-governance%23:-:text=There%20are%20various%20rights%20of.that%20may%20include%20financial%20statements>

²³ Gautam Khaitan, Arnav Chaudhary, Shareholder Activism in India, October 16, 2023
<https://www.barandbench.com/law-firms/view-point/shareholder-activism-in-india>

- *Protection of Minority Shareholders*

Corporate governance refers to not just the rules and procedure for the functioning of the company but also outlines the ethics and morals of the company. Often, minority shareholders are at a risk of being oppressed by the majority. Companies Act 1956 failed to provide much protection to the minority, however Companies Act 2013 provides ample protection to the minority shareholder rights.

Section 241-246 provides relief to the minority shareholder against wrongdoings by the majority which result in oppression or mismanagement of the minority or against such actions which are prejudicial to company's interest or public interest. This ensures that majority shareholder can be held accountable for their decisions and actions, thus promoting fair treatment.

In the case of *Tata Consultancy Services Ltd. v. Cyrus Investment (P) Ltd.*, Mr. Cyrus Mistry was removed from the position of Executive Chairman of Tata Sons Ltd., as well as from directorship in various holdings of Tata Group. The minority group of shareholders filed a complaint before National Company Law Tribunal ("NCLT") alleging that the removal was done in a prejudicial manner which is oppression and mismanagement of minority shareholders. The NCLT ruled against minority group, however the NCLAT ruled in favour of the minority group and held that removal of Mr. Mistry was oppressive. Tata Sons challenged the order of NCLAT before Supreme Court, which held that removal of Mr. Mistry was not oppressive to the interests of minority group.²⁴

The Supreme Court held that the "just and equitable clause" is triggered only in certain circumstances, like when there is a functional deadlock or when there is justifiable lack of confidence on the conduct of directors. A mere lack of confidence of minority shareholders in relation to majority in management would not be sufficient.²⁵

- *Corporate Social Responsibility Oversight*

While Section 135 mandates that companies falling under the threshold of net worth, turnover, profit as stated, has to spend 2% of its average net profit of last three financial years on CSR activities, enlisting duties upon the company and its directors is not enough.

Shareholders activism provide an oversight on CSR duties of the company. Board has to provide proper detailed disclosure regarding its CSR activities in its annual report which get submitted in the general meeting to the shareholder.²⁶

This not only enhances the transparency in the process but also empowers the shareholders to hold the Board and Company liable if the CSR activities as mandated are not being met.

²⁴ Shaneen Parikh, Namita Shetty, Protection and Redressal of Minority Shareholder Rights, March 06, 2023 <https://corporate.cyrilamarchandblogs.com/2023/03/protection-and-redressal-of-minority-shareholder-rights/>

²⁵ Shaneen Parikh, Namita Shetty, Protection and Redressal of Minority Shareholder Rights, March 06, 2023 <https://corporate.cyrilamarchandblogs.com/2023/03/protection-and-redressal-of-minority-shareholder-rights/>

²⁶ Naincy Mishra, Corporate Social Responsibility (CSR) under Companies Act, 2013, April 08, 2024 <https://blog.ipleaders.in/csr-laws-india/>

- *Promotion of Long-Term Value Creation*

Enhancing shareholder rights under the 2013 Act has led to better corporate governance structure in companies and better corporate governance structure will lead to maximization of shareholders value.

Shareholder not only has the right to dividend but also the right to vote on declaration of dividend, this helps ensure that the company's wealth is properly being distributed. They also have the right to surplus in case of winding up.

Furthermore, apart from a listed company, shareholders are given pre-emptive rights like anti-dilution, which allows existing shareholders to maintain their ownership percentage in case of new shares being issued. Also, shareholders have right like tag along and drag along under shareholders' agreement in case of mergers and amalgamation.

Such rights support long-term stability of shareholders and continuity in shareholder base, strengthening the corporate governance structure of the company as the corporate governance heavily relies on shareholders.

- *Prevention of Fraud and Mismanagement*

Under the Companies Act 2013, shareholder has the right to inspect the register maintained by the companies, they are given access to Board's report, Audit reports, financial statements, etc. The shareholder also has the right to call for meetings. These rights provide shareholder with the opportunity to detect any inconsistencies or fraud and it also discourages dishonest conduct on behalf of directors and employees, promoting the entity to follow sound governance structure.²⁷

The shareholders also have the right to challenge resolution passed for appointment of directors and other major decisions. Above that, they also have legal recourse available to them in case of prejudicial actions or conduct by directors. These rights ensure accountability on part of directors.

Furthermore, vigil mechanism established under Section 177(9) also encourages reporting of unethical practices or frauds, safeguarding the interests of shareholders and other stakeholders, hence promoting ethical behaviour and integrity and compliance within the company.

²⁷ Khurana & Khurana, Shareholder's Right And Their Impact On Corporate Governance, June 13, 2024 <https://www.mondaq.com/india/shareholders/1478426/shareholders-right-and-their-impact-on-corporate-governance%23:~:text=There%20are%20various%20rights%20of,that%20may%20include%20financial%20statements>

CHAPTER IV – CONCLUSION

The corporate governance structure has profoundly enhanced from the inadequate laws during the colonial period to the comprehensive legal framework existing today. This significant change was possible due to the efforts of Ministry of Corporate Affairs and organizations like CII and SEBI. From time to time, challenges emerged but these challenges were tackled by forming special committees under the chairmanship of renowned persons. These committees suggested the reforms required at the time and their recommendation paved the way for new laws. Their recommendations are clearly reflected in many of the SEBI regulations like LODR and Companies Act, 2013. The SEBI regulations and Companies Act, 2013 are the main legislations regulating the corporate governance structure in India. This paper focused mainly on the corporate governance under Companies Act, 2013.

The Companies Act 2013 has played a pivotal role in the growth and enhancement of corporate governance in companies. There are not only provisions like Section 149, which ensures the independence of Board's composition but there are also committees like audit committee, stakeholder relationship committee, which ensure effective corporate governance and also CSR activities put an obligation on directors and companies to be more responsible towards all stakeholders. Apart from these provisions relating to corporate governance, the Companies Act, 2013 has also enhanced the rights granted to shareholders.

Shareholders under the Companies Act, 2013 has a variety of rights granted to them ranging from right to receive dividend to right to appoint the directors. They have right to attend meeting and vote on important decisions, right to surplus in case of winding up, right to proxy, etc. These rights have truly empowered the shareholders and empowering shareholders ensure more effective corporate governance. And it also ensures that the board's interests are aligned with the investors and the company's long-term interests.

Chapter III has dealt deeply in how these shareholder rights have impacted the corporate governance structure in companies. By giving rights like receiving notice, attending meeting, voting, etc has significantly increased transparency and accountability within the companies as these rights ensure active participation by shareholders, further ensuring that shareholders have a substantial role in decision-making process. They also have the right to challenge resolutions and legal recourse in case of misconduct, which ensures accountability. The case of Zee Entertainment exemplifies how shareholder empowerment has strengthened corporate governance by ensuring accountability.

Moreover, shareholders also have rights to appoint auditor, access financial documents and participate in significant business decisions, these rights provide means to the members to keep effective check on management, preventing misconduct and fraud. The rejection of Tata Motors Ltd.'s proposal for increased remuneration of executive highlights how shareholder empowerment and activism keep a vital check on management decision, ensuring they align with investors and companies' interests.

Apart from these, the Companies Act, 2013 has also provided protection to minority shareholders and has provided them with legal remedies. The case of Cyrus Mistry underscores the importance of these rights and protection provided, ensuring fair treatment to all.

It can be said that providing these rights to shareholders has significantly enhanced the corporate governance structure. These rights ensure greater transparency and accountability, leading to more robust checks and balances on management. Further, by safeguarding minority shareholders, promoting ethical conduct and encouraging long-term value creation, the Act succeeds in creating a business environment where shareholder democracy can thrive. The cases discussed above illustrates the practical impact of these rights on corporate governance. The strengthened legal framework under the Companies Act, 2013 has played a vital role in ensuring that companies operate with greater fairness, responsibility and integrity, thereby ensuring the stability of overall corporate sector.

However, as shareholders play a crucial role in maintaining the corporate governance structure of the company, it is important that the shareholders are aware and educated about their rights. The regulatory bodies can conduct educational programs for shareholders. Further, the growing technological advancement can be used to ensure wider participation by shareholders in meetings, like allowing to attend meetings through video conference. Lastly, regulatory oversight can be increased to ensure that companies are complying with the provisions of the Act, thereby ensuring effective corporate governance.