

# INTERNATIONAL JOURNAL OF LAW MANAGEMENT & HUMANITIES

[ISSN 2581-5369]

---

Volume 8 | Issue 6

---

2025

© 2025 *International Journal of Law Management & Humanities*

Follow this and additional works at: <https://www.ijlmh.com/>

Under the aegis of VidhiAagaz – Inking Your Brain (<https://www.vidhiaagaz.com/>)

---

This article is brought to you for free and open access by the International Journal of Law Management & Humanities at VidhiAagaz. It has been accepted for inclusion in the International Journal of Law Management & Humanities after due review.

In case of **any suggestions or complaints**, kindly contact [support@vidhiaagaz.com](mailto:support@vidhiaagaz.com).

---

**To submit your Manuscript** for Publication in the **International Journal of Law Management & Humanities**, kindly email your Manuscript to [submission@ijlmh.com](mailto:submission@ijlmh.com).

---

# Corporate Governance and its Various Models

---

B. SRINIDHI<sup>1</sup>, SAGARIKA NAIR<sup>2</sup>, SAHANA S K<sup>3</sup> AND ROSHNI A<sup>4</sup>

## ABSTRACT

*Corporate governance essentially forms the basic foundation of ethical conduct of business, accountability, and sustainable economic development. It refers to the mechanisms, principles, and institutional processes through which corporate entities are directed and controlled to protect the interests of various stakeholders. This paper is a comparative examination of the globally leading models of corporate governance and their consolidation into the Indian regulatory and socio-economic environment.*

*The Anglo-American model, with the principle of shareholder primacy and the unitary board system, has remarkably shaped Indian corporate reforms by incorporating elements of board independence, disclosure, and investor protection. The German model depicts a stakeholder approach based on participatory decision making with a two-tier board structure that enables democratic governance and long-term corporate stability. The Japanese model pertains to relational governance via Keiretsu networks and collaborative building decision-making, built on collective accountability and employment stability. Similarly, the Nordic model offers a system of concentrated ownership, along with strong minority-shareholder protection and a high degree of explicit commitment to sustainability and transparency.*

*In Indian context, governance practices have synthesized to integrate elements of these models in consideration to local business dynamics. Family-managed enterprises, which overpowered the Indian landscape, have been re-structured under the Companies Act, 2013, that requires independent and women directors, audit committees, and candid reporting. The previous Managing Agency model, promotes a monopolistic predisposition, that has paved way for a regulatory-driven structure with the Securities and Exchange Board of India (SEBI), empowered through committee recommendations. Subsequently the Islamic model of governance adopted ethical governance concepts ingrained in Shariah principles, hence connecting moral responsibility in commerce. In a nut shell, India's corporate governance portrays a dynamic hybrid system that synthesizes global best practices with indigenous ethical and legal frameworks.*

---

<sup>1</sup> Author is a Student at Sastra University, Thirumalaisamudram, Thanjavur, India.

<sup>2</sup> Author is a Student at Sastra University, Thirumalaisamudram, Thanjavur, India.

<sup>3</sup> Author is a Student at Sastra University, Thirumalaisamudram, Thanjavur, India.

<sup>4</sup> Author is a Student at Sastra University, Thirumalaisamudram, Thanjavur, India.

## I. INTRODUCTION

Foreign With the evolving business world in today's times, corporate governance has become the pillar of sustainable ethics and sustainable development. Corporate governance is the system of rules, procedures and processes by which corporations or companies are led and controlled. It is more than mere legal compliance. It impacts the culture, values and strategic choices of corporations. Good governance systems lead to accountability, transparency and ethical practices ensuring trust among shareholders, employees, customers and the wider community.<sup>5</sup>

As organisations are surrounded by an environment of high complexity and stakeholder pressures, strong governance frameworks are essential for managing risks, maintaining competitive edge and compliance with regulation. In addition, the environmental, social and governance factors also contribute to the increasing importance in the role of the boardroom.<sup>6</sup>

This article gives an overview and discusses the essence of corporate governance. Through a deep analysis of examples and new models, we seek to give a complete picture of how effective corporate governance can shape the organisations in the present times.<sup>7</sup>

## II. CORPORATE GOVERNANCE MODELS

The different models for corporate governance can be understood as follows, starting off with the Anglo-Indian model followed by the German, Japanese, Nordic, Family/Business House, Managing Agency, Regulatory-Driven Indian Model and finally the Islamic Model.<sup>8</sup>

### A. Anglo-American Model

The Anglo-American model of corporate governance based on the principles of shareholder primacy and unitary board system has emerged as an important benchmark for corporate governance systems around the world.

The Anglo-American model dominates in market economies like the USA and the UK in furtherance of the interests of shareholders, with much emphasis on transparency and accountability of management.

In India, corporate governance has evolved through colonial influences, regulatory changes, and economic reforms, mixing into a combined model of both Anglo-American and stakeholder-oriented models.<sup>9</sup>

---

<sup>5</sup> "Principles of Corporate Governance in India" (The Legal School).

<sup>6</sup> SSRN article: "Corporate Governance in India: Issues and Importance".

<sup>7</sup> "Corporate Governance and Board Effectiveness" (ScienceDirect).

<sup>8</sup> "Comparative and International Corporate Governance" (Aguilera & Jackson).

<sup>9</sup> "Comparative Analysis of Corporate Governance Models Across Major Economies" (Jurist & Jurist, 2024).

### **Core Features of Anglo-American Model**

1. **Shareholder-Centred Approach:** Shareholders elect the board, which is accountable for appointing management and channelising strategic direction. This model provides benefits for the maximum utilisation of shareholders' returns, majorly through dividend payout and appreciation in share price.
2. **Unitary Board Structure:** The board combines both tactical and supervisory functions and generally includes independent directors to ensure objective oversight. There is a significant divide in ownership-control whereby the board handles the management in the operating activities.
3. **Regulatory Frameworks:** There are regulations governing the Anglo-American model that increase transparency and investor protection (e.g., Sarbanes-Oxley Act in the US, comply or explain principles in the UK).
4. **Market Accountability:** Capital markets subject their conduct to discipline by movements of share prices and the prospective after effects of takeover bids, thus incentivizing managers to perform ideally.<sup>10</sup>

### **Indian Evolution of Corporate Governance**

1. **Post-1991 Economic Liberalization:** The 1990s were characterized by a movement away from the Business House model, still in the hands of family control and government dictates, toward more market-inclined practices following an economic crisis. Those regulatory changes were supposed to take care of inefficiencies and governance failures like those caused by the Harshad Mehta and Ketan Parekh scams.
2. **Board Independence Mandates:** It was SEBI and the Companies Act that pronounced the necessity of having independent directors to positively alter board oversight-a direct import from the Anglo-American framework.
3. **Transparency and Disclosure Norms:** enhancing disclosure mandates and adopting international reporting standards<sup>11</sup> assisted in building investor confidence and promote good governance.

### **Prospective Use and Advantages in India**

---

<sup>10</sup> Sarbanes-Oxley Act (USA).

<sup>11</sup> Indian Accounting Standards (Ind AS).

1. **Strengthening Investor Protection:** By embracing the Anglo-American model, the interests of minority investors will be further protected by far-reaching transparency, accountability, and timeliness of disclosures.
2. **Improved Capital Access:** Adherence to international governance standards makes Indian firms more attractive to foreign investors and could bring down costs of capital in turn stimulating growth.
3. **Improved Accountability of Boards:** Independent directors and performance-based executive compensation could improve managerial discipline and reduce agency conflicts-a good practice respected all over the world.
4. **Adaptability and Efficiency:** Market signals would be utilized by the flexible model to induce innovations, thereby enhancing competitiveness for Indian companies.

### **Limitations and Challenges**

1. **Familial Ownership Prevalence:** The considerable holding of many Indian companies by one family is an obstacle to achieving full conformity with the shareholder-oriented system of the law. Family interests often match with that of management, at times to the disadvantage of other minority shareholders.<sup>12</sup>
2. **Cultural and Social Factors:** Business in India is rooted in cultural priorities such as corporate social responsibility ("corporate dharma") or employee welfare, which are not always in correspondence with the Anglo-American model's concentration on short-term profit.
3. **Weaknesses in Regulation and Enforcement:** Given the apparent weaknesses in enforcement of boards' independence and standards of transparency, is again a consequence of the regulations.

India's corporate governance landscape has increasingly begun to mirror the Anglo-American model. While this model can be effective in fostering growth, attracting investments, and enforcing accountability, it will have to compete with cultural values if anybody is expecting its efficient implantation in Indian soil. Thus, the longer-term viability of the model will depend on its ability to combine with socio-economic realities unique to India.

### **B. German Model**

The German model of corporate governance, also known as the Continental or Rhenish model,

---

<sup>12</sup> "Top 50 most cited corporate governance papers" (Virtus InterPress).

provides a magnificent counterpoint to the Anglo-American approach, overseen by stakeholder interests, with a two-tier board structure. Particularly relevant in this regard is India which has a hybrid corporate governance system that borrows elements from several models.

### **Key Features of the German Model**

**Two-Tier Board Structure-** The most particular feature of this model is its dual board system, namely Management Board (Vorstand) and Supervisory Board (Aufsichtsrat).

The Management Board is composed of company executives and is responsible for daily operations and strategic management.

The Supervisory Board constitutes a non-executive body that administers the appointment and oversight of the Management Board, casting a significant advisory role. It composes members from both shareholders and employees in a practice termed co-determination.

1. **Stakeholder Orientation** -In contrast with the shareholder-oriented Anglo-American model, the German model conceives of a corporation as a social entity with obligations to a wider range of stakeholders, including employees, creditors, customers, and the public.<sup>13</sup>
2. **Role of Banks and Long-Term Shareholders-** Historically, banks had major long-standing alliances with companies by means of equity finance and holding seats on supervisory boards, which earned them the right to influence the policies and strategies of major firms; thus, focusing the economy on growth and stability as opposed to profit.
3. **Concentrated Ownership** -Ownership within German companies is highly concentrated in the hands of a few large shareholders, such as banks, insurance corporations, and other corporate entities instead of being widely dispersed amongst members of the public.

### **Relation to the Indian Context**

The corporate governance framework in India is hybrid, drawing from both the Anglo-American and German models to suit its peculiar economic and social environment. The principles of the German model are significant in certain aspects of the Indian corporate scene.

1. **Applicability to Private and Family-Owned Companies-** The German model's long-term stability and stakeholder interest focus fit many Indian private and family-owned companies very well. Such companies usually have a long-term perspective and a high

---

<sup>13</sup> “Comparative Analysis of Corporate Governance Models” (Economic, Finance and Management Review).

level of consciousness toward their social responsibility, which they often term "corporate dharma." Given that they tend to rely less on outside equity capital, the intense focus on shareholder value of the Anglo-American model might be less suited in this scenario.<sup>14</sup>

2. Stakeholder vs. Shareholder Conflict- In India, the central issue of corporate governance is often not the tension between management and owners (as is the case in the U.S. and U.K.) but that between dominant or promoter shareholders and minority shareholders.<sup>15</sup> The emphasis of the German model on broader stakeholder representation could provide a basis for a better balance among these competing interests.
3. Emphasis on Social Responsibility- The German model's in-built stakeholder orientation dovetails with the rapidly growing significance of Corporate Social Responsibility (CSR) within the Indian context, as enshrined in the Companies Act of 2013. This trend aims to direct corporate India toward looking after its stakeholders in terms of community, employees, and the environment, which forms the very basis of sustainable business practices in India.

### **Challenges and Limitations**

1. Decision-Making Takes Time- This two-tier board structure with the consensus-building process among different stakeholders means slow decision-making and blindness to changes, which acts against the large mercy of fast-moving industries.
2. Complexity Compared to the board structure of the Anglo-American model, the dual-board type system is comparatively complex to manage.
3. Cultural Differences -The deeply entrenched system of co-determination in Germany has a unique historical and cultural setting, which may not be directly transferred to the Indian labour environment.

On the whole, India has adopted the Anglo-American governance structure for some of its publicly listed companies, whereas the principles of the German model provide an excellent guide thereafter. The German model supports stakeholder-oriented governance, placing emphasis on an economy that is environmentally sustainable and socially responsible. It is, therefore, seen by some as being a fit for India's socio-economic realities and the diversity present in Corporate India.

---

<sup>14</sup>“Comparative corporate governance: the state of the art and international regulation” (Cambridge University Press).

<sup>15</sup> Section 243, Companies Act, 2013.

The corporate governance model of Japan manifests cultural norms of long-term relationships which are built on loyalty and collective decision making. There were reforms to the Japanese corporate governance model in the 2010s driven by stagnation in the 1990s.

The western governance model emphasizes the shareholders while the Japanese model is focused instead on stakeholder harmony, cooperative partnerships, and secure employment patterns.

Firms enhanced longstanding relationships at the expense of short-term returns, resulting in a reduced level of power for individual investors. Central to the Japanese model are the interrelated Keiretsu networks, a coordinated system of firms that participate in cross-shareholding arrangements.<sup>16</sup>

The network creates strong ties among manufacturers, suppliers, and banks and develop a web of interconnected business relationships. By promoting stability and long-term dedication among member firms, these networks protect member partners from outside pressures initiated by hostile takeover possibilities or short-term market performance targets. The networks also enable collaboration and provide support to each member firms maintaining financial stability, while fostering industry synergy, growth, and overall sustainability.

A central feature of the Japanese model is the reliance upon consensus mechanisms to make decisions. Japanese organizations strive to reach a consensus at all levels.

This process entails eliciting responses from departments and stakeholders, fostering consensus through discussion and collaboration, and always prioritizing harmony and wanting to avoid internal conflict during implementation. While this often takes more time, it leads to decisions that are more rounded, and ownership is taken to decisions that are collectively supported, which ultimately translates into smoother execution and greater commitment to the organization.<sup>17</sup>

The Japanese Model of management extends beyond company policies, with a focus on lifetime employment coupled with loyalty, thus treating employees and individual employees as a blended stakeholder. Companies, in turn, invest in the individual for growth through training and economic and job security, and job-related growth, creating an environment that creates mutual trust and stability between and within the company and employees respectively.

Practices such as Keiretsu and consensus-based decision-making and other aspects of the model establish the basis of sustainable growth and institutional stability. Such methods promote inter-

---

<sup>16</sup> Japanese Model (stakeholder harmony, consensus mechanisms, Keiretsu networks).

<sup>17</sup> "Comparative and International Corporate Governance" (Aguilera & Jackson).

organizational cooperation and links across organizations, create trust and allow long-term strategic alignment to be possible, among other things.

These features support internal stability and reliable performance, but critics have suggested that its organizational style limits innovation and slows down decision-making time in the face of swift economic change. Nevertheless, the overall model's value of long-term relations continues to demonstrate success in sectors of the economy that are increasingly dependent upon precision, reliability, and thorough long-term planning.

### **Advantages**

1. Marked integration of internal market
2. Rapid and effective information and experience transfer between participants
3. Large circulation of capital in the economy
4. Reduced risk of market fluctuations through interconnected networks
5. Enhanced employee motivation and faith in sustainable long-term future.

### **Disadvantages**

1. Limited potential for rapid growth.
2. Low levels of foreign investment.
3. Minimal individual involvement in organizational governance.

### **Example**

Toyota has adopted the Japanese approach to corporate governance. Its focus on stability, inclusivity of constituents, and long-term relationships exemplify this type of corporate governance system. The company's close relationships with suppliers helps to create a stable Keiretsu supply-chain network which also promotes growth. Toyota's philosophy of participatory decision making within its production system exemplifies the organization's commitment to the collaboration of all levels of the organization. The firm's efforts and dedication to workforce stability, job-enhancing career development, and employee participation demonstrates the firm's beliefs in traditional Japanese corporate philosophy, even in an increasingly globalized market.

### **C. Nordic Model**

The Nordic model of corporate governance, followed in Denmark, Finland, Norway, and Sweden, is marked by its strong ownership along with long-term focus, and stakeholder inclusion. The Nordic model facilitates controlling owners to closely regulate their companies

while maintaining resilient protections for minority shareholders. This balance encourages and ensures a sustainable value creation, stability, and resilience, that enables companies to perform effectively in both domestic and international markets.<sup>18</sup>

At its core, the Nordic model is based on active ownership, which means that the implementation of a model entails that majority shareholders are themselves engaged when it comes to decisions of strategy and long-term planning. Meanwhile, minority protections foster fair treatment and a sense of trust between minority and controlling shareholders, which similarly align the two parties. Companies operating under this model are primarily long-term orientated, with varying degrees of preference towards sustainability, predictable/resilient growth, and lasting value creation. Boards ensure that multiple interests (worker, shareholder, and societal) are taken into account, while fostering transparency, consensus building, and communications or disclosures. The governance and ownership elements in the Nordic model are also premised upon values in Nordic culture around trust, collaboration, and long-term relationships that contribute to the overall stability and effectiveness of the Nordic model.<sup>19</sup>

### **Governance Practices**

Nordic companies tend to achieve a representation balance on their boards that considers owner representation alongside independent directors enabling effective oversight directed towards a strategic focus, minimized conflicts of interest, and simple separation between management and supervision while owners remain actively engaged. Companies also prioritize their reporting and disclosure obligations thereby providing stakeholders with the ability to engage in meaningful governance. Employees are typically not involved in formal board representation; however, employees may still have some element of consultation in operational or strategic discussions as consortium governance structures are similarly inclusive as a model in practice. Furthermore, companies have close relationships with local financial institutions which further stabilizes the company overall. This allows for the company's continued efforts towards longer-term project without significant reliance on more volatile capital markets during the growth cycle. The synthesis reveals the appropriateness of the governance model for even small Nordic economies who produce a disproportionately large share of global leading companies aligned to the relatively small population.

### **Sustainability Implications**

The sustained efforts of the Nordic model encourage businesses to behave in environmentally

---

<sup>18</sup> Nordic Model (strong ownership, long-term focus, robust minority protection).

<sup>19</sup> "Comparative Analysis of Corporate Governance Models Across Major Economies".

and socially charged ways. Through corporate strategy a function of stakeholder interests, companies are stimulated to act ethically, enhance employee welfare, and build communities, thus embedding sustainability as part of their governance. Building on this framework, shareholder value can be created without g the environment and society.

### **Advantages**

1. Promotes sustainability and extended strategic planning.
2. Fosters resilience and durability in corporate operations.
3. Assures active owner engagement, improving accountability.
4. Provides robust minority protection, fostering trust and fairness.
5. Supports high international competitiveness relative to population size.
6. Mitigates risk from brief-term market pressures or unsolicited takeovers.
7. Augments corporate reputation due to transparency and comprehensive governance.

### **Disadvantages**

1. Reduced or gradual decision-making due to consensus-driven processes.
2. Prospective pushback to rapid innovation in fast-changing industries.
3. Pressure from international capital markets may force adaptation away from traditional Nordic practices.
4. May be less attractive to foreign investors unfamiliar with concentrated ownership structures.
5. Balancing owner control and minority protection can sometimes create complex governance tensions.

### **Example: Volvo Group (Sweden)**

Volvo Group demonstrates the Nordic model by unifying strong shareholder administration with employee consultation. Its board sustains effective control while safeguarding minority shareholders. The company underscores long-term investment, innovation, and sustainability, illustrating how the Nordic model promulgates companies to strike a balance between ownership control with social responsibility and enduring performance.

Family businesses are the core of India's economy, and are typically characterized by close ownership, management, and family relationships. The emergence and achievements of super elite family-controlled units like Tatas, Birlas, and Ambanis is an obvious indication of the

model where the three aspects of ownership, management, and family relations are deeply intertwined. These businesses form the bulk of industrial landscape, but due to the overlap of professional and personal aspects, they encounter different kinds of governance problems.<sup>20</sup>

### **The need for Corporate Governance**

Proper governance is the lifeblood of the three business power structures, that is, the concepts of accountability, transparency and sustainable development. Since family control most of the time hampers professional oversight, the reforms focus on the provisions of checks and balances like independent boards, clear roles, and family constitutions which not only ensures that the family heritage is in line with corporate responsibility but also creates a platform for the unification of the two.

### **Corporate Governance in Family Businesses**

The components of efficient governance system include:

1. Independent and professional boards.
2. Transparency through professional boards.
3. Developing family constitutions concerning succession and dispute settlement.
4. Dividing ownership and management so that a non-family professional can be in charge of daily operations.

### **Director Requirements under Companies Act, 2013**

The act specifies:

1. Minimum directors: 3 for a public company and 2 for a private company.
2. Resident director: At least one director should reside in India for 182 days or more in a year.
3. Women director: Mandatory for listed and large public companies.
4. Independent director: The number of independent directors in the board should be atleast one-third.

These rules help to open up and professionalize the management which makes it easier for family enterprises to adapt to corporate governance norms of present-day business.

### **Disadvantage**

---

<sup>20</sup> “Comparative Corporate Governance in Comparative International Management (Routledge: 3rd Edition)” (Haxhi, 2023).

Although a family business model has a number of advantages that it is still facing some problems:

1. **Centralized Control:** The company's operational flexibility and innovation are severely limited.
2. **Nepotism:** The family relationships influence recruitment and promotion processes.
3. **Conflict of Interest:** Because of the overlap between personal and business interests, there will be disputes.
4. **Succession Disputes:** Leadership conflicts cause the business to become unstable.
5. **Limited Transparency:** External investors are discouraged, and the trust is eroded.

### **Three-Circle Model:**

John Davis Three-circle Model is used to understand the interrelationships and complications of a family business that have been divided into three overlapping spheres - Family, ownership, and Business. Apart from resolving issues among the stakeholders, this model also harmonizes the family interests with the professional governance and thus ensures sustainable growth.

Even though family control is the major one in India, the emphasis on corporate governance, which has been made possible through the Companies Act, 2013 and such models as the Three-Circle Model, has resulted in increased transparency, accountability and meritocracy. These measures pave the way for family businesses not only to maintain the heritage but also to comply with the modern standards which guarantee their sustainability over time.

The Managing Agency Model remained one of the earliest corporate governance mechanisms in India, which was in place between the years 1850 to 1956. Under this scheme, a company or a person called a managerial agent was holding the majority control over a firm's finances and operations, in fact, acting as the main controller. Among the most famous examples were Tata Sons & Co., and Birla Brothers, that through this framework managed extensive networks of their subsidiaries.<sup>21</sup>

### **Why the Managing Agency System was Developed**

1. **Shortage of Entrepreneurial Talent:** India was without professional entrepreneurs and trained managers for large-scale industries. The houses of managing agencies that were usually managed by the British or Indian families, thus filled by the gap by providing technical and administrative services.

---

<sup>21</sup> Companies Act, 2013 (provisions for independent directors, disclosure, CSR).

2. **Absence of Venture Capital:** A booming industry needed a lot of money, but financial institutions were very weak. Managing agencies used their prominence and linkages to get capital both locally and internationally.
3. **Technical and Organisational Limitations:** Several Indian businessmen were not well-versed in industrial and technological aspects. The agents of managing agencies took the role of intermediaries bridging the gap between the investors, the manufacturers, and the technology providers.
4. **Cultural Compatibility:** The model was very compatible with India's joint family system, therefore it enabled dynastic families to have the business control going on over generations.
5. **Coordinated Industrial Development:** Managing agencies were managing several companies at the same time, which helped them to attain economies of scales and industrial coordination.

### **Corporate Governance and Control Model**

The managing Agency Model was a system that concentrated the economic and managerial power of agency to the managing agent. The managerial control included:

- Naming internal directors cutting down board independence.
- Wide range intra-group dealings and financing decisions.
- Unilateral limitation of shareholders' power as a result of concentrated ownership.
- Profit-based pay that induced short-term profits at the cost of long-term sustainable growth.

In reality, the managing agent was at the same time owner and manager, thus creating conflicts of interest between the controlling agent and minority shareholders.

### **Legal Background and Abolition under Company law**

Originally the method was kept without much regulation. The Indian Companies Act of 1913 acknowledged managing agencies but it was silent as to imposing strict control over their power. After the independence, economic reforms made by the Companies (Amendment) Act of 1956 did away with the system of managing agencies.<sup>22</sup> It was replaced by professional management directly under the supervision of the board. Later, the Companies Act, 2013 further supported this transformation by setting the definition of Key Managerial Personnel (KMP) like Managing

---

<sup>22</sup> "Corporate Governance in India: Objectives, History and Regulatory Framework" (ClearTax).

Director, CEO, and CFO (Sections 2(51), 2(53), 2(54), and 203), thus bringing in statutory control the aspects of accountability and fiduciary responsibility.<sup>23</sup>

### **Disadvantages of the Managing Agency Model:**

The benefits were overwhelmed by the disadvantages by the time of the mid-20th century:

1. The concentration of industrial power was most responsible for monopolistic practices.
2. Corporate boards lost their power as agents took charge.
3. Commission overpayment was the main source of agents' income and they used the funds to manipulate transactions.
4. Inheritance of control held back the rise of the professional management.

The Managing Agency Model resembled an innovative yet imperfect early experiment of Indian corporate organisation. Despite facilitating industrial growth and nurturing local entrepreneurship, the excessive centralization of power, absence of transparency, and conflict of interest in the system led to its downfall. When it was done away with in 1970, the Indian corporate sector had to undergo a major transformation, resulting in the emergence professionally-led, transparent, and accountable corporate structures, which are the ones that still regulate the Indian corporate sector's corporate structures it is the corporate sector that still govern India's corporate sector today.<sup>24</sup>

The Indian Corporate Governance model driven by regulations comprises a very detailed and mandatory legal system which is aimed at maintaining transparency, accountability and protecting multiple stakeholders. The model is strongly designed by legislative enactments, committee suggestions, regulatory agencies, building a governance framework specifically aimed at fitting India's distinctive economic and corporate environment.

The main element of the Indian model is the Companies Act, 2013, the law which strengthens the standards of governance. It mandates the appointment of independent directors (minimum of 1/3rd of the board in listed companies), forms audit committees<sup>25</sup>, imposes fiduciary obligations on directors and other obligations like Corporate Social Responsibility (CSR). This law also increases transparency.<sup>26</sup>

The key regulatory agent is Securities and Exchange Board of India (SEBI), which regulates

---

<sup>23</sup> Companies Act, 1956 and Amendments.

<sup>24</sup> Indian Companies Act, 1913 (historical context).

<sup>25</sup> Section 177, Companies Act, 2013.

<sup>26</sup> Companies Act, 2013 (Ministry of Corporate Affairs, India).

through its Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015.<sup>27</sup> SEBI orders strict disclosure requirements for shareholder rights, practices and board procedures integrating Indian corporate governance with that of international standards. Accountability is increased by involving shareholders through e-voting, quarterly financial reporting, related party transaction approval, etc.

Indian corporate governance has evolved through the suggestions and recommendations made by committees like Kumar Mangalam Birla Committee (1999)<sup>28</sup>, Naresh Chandra Committee (2002)<sup>29</sup>, JJ Irani Committee (2005)<sup>30</sup>, and the Kotak Committee (2017)<sup>31</sup>. These committees have stood by principles like independence of the board, more active roles of the auditor, enhanced transparency and increased shareholder rights. Overall, these principles, suggestions and recommendations have been combined into a complete and systematic regulatory framework.

The Indian model is often said to be hybrid, that is, it combines Continental European importance on corporate social responsibility with Anglo-American features like independent directors. The Indian corporate field is dominated by family-owned businesses which contributes to concentrated ownership. The regulatory model reacts to this by enforcing mandatory standards for governance to balance promoter dominance and increase protections for minority shareholders.<sup>32</sup>

One of the features which distinguishes the Indian regulatory style is its mandatory nature, embedding governance norms into primary laws rather than depending on regulations and codes alone. The strict legal mandates are shaped to enforce broad based compliance in place of voluntary disclosure.<sup>33</sup>

The main hindrance to this model is the lag in enforcement due to judicial backlog and regulator capacity limitations. Despite that, institutions like SEBI have become stringent in imposing penalties for non-compliance and therefore improving the governance.

In short, this Indian model of corporate governance driven by regulation is a mandatory framework aimed at improving responsible corporate conduct in the family dominating and changing market conditions. It uses regulatory guidance, primary legislation and advice from

---

<sup>27</sup> SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

<sup>28</sup> Kumar Mangalam Birla Committee (1999).

<sup>29</sup> Naresh Chandra Committee (2002).

<sup>30</sup> JJ Irani Committee (2005).

<sup>31</sup> Kotak Committee (2017).

<sup>32</sup> Tata Sons Pvt. Ltd. Vs. Cyrus Investments Pvt. Ltd. & Others, Civil Appeal Nos. 440-441 of 2020, Supreme Court of India.

<sup>33</sup> "Core Principles of Corporate Governance in India" (The Legal School).

the committee to ensure accountability, transparency and shareholders protection.

#### **D. Islamic Model**

The Islamic Model of corporate governance is a spiritually inspired approach that is based in Shariah (Islamic law), which dives into business management and moral, spiritual and ethical factors of governance.

This is based on the Quran, the Sunnah, Ijma and Qiyas. It provides the legal and moral base for all economic and social conduct. The framework is led or formed by the Maqasid al Shariah, which is the higher purpose of Islamic law, which aims to protect life, religion and wealth. In relation to the business environment, this encourages and promotes transparency, ethical conduct, shareholders protection and fair sharing of wealth.<sup>34</sup>

The Islamic view of corporate governance gives importance to a set of basic principles that differentiate it from the conventional governance models. It is rooted in moral and spiritual values which guide business conduct and leadership behaviour. Accountability (Masuliyyah) is primary because managers and directors are answerable to both shareholders and God. This strengthens ethical responsibility beyond mere compliance to regulations. Trust (Amanah) interprets business leaders as trustees of resources entrusted to them by investors, society and employees which requires transparency, honesty and fairness in decision making. Justice and Fairness (Adl and Ihsan) require business dealings to safeguard equity and prevent corruption or exploitation which ensures the well-being of all the members involved. Consultation (Shura) promotes collective input, decision making, and consensus building within the board and management. Transparency (Bayyinah) encourages complete disclosure of all material information to avoid fraud and increase trust.<sup>35</sup>

This model of governance is a two layered structure especially in Islamic financial institutions. The first layer is the Board of Directors, which is charged with risk, strategy and performance. The second layer is the Shariah Supervisory Board (SSB) which is an entity composed of Islamic scholars who ensure that all activities, contracts and products are Shariah-compliant. Apart from this, there are other mechanisms like Hisbah, an organisation which oversees corporate morality and maintains accountability and upholds social justice and morality.<sup>36</sup>

In contrast to the traditional models which revolve around shareholder value maximization, this Islamic model revolves around collective prosperity and social welfare. Thus, the Islamic

---

<sup>34</sup> Islamic Model (Shariah-based, moral and ethical focus, Shariah Supervisory Board).

<sup>35</sup> Quran, Sunnah.

<sup>36</sup> "Comparative Analysis of Corporate Governance Models of Different Countries" economic.

corporate governance model integrates religion, economic reasons and ethics with corporate management. It aims at ensuring harmony between morality and profit, protecting shareholder interests and other such factors.

### **III. CONCLUSION**

India's corporate governance system is a good example of a carefully calculated mix of various worldwide models that are adjusted to local needs. The Anglo-American model brings in the concepts of shareholder primacy and independent board, which in turn, improve transparency and investor confidence. Features from the German and Nordic models help to integrate stakeholder engagement, long-term commitment, and the equilibrium between control by the majority and rights for the minority, thus, all these agreeing with India's focus on corporate social responsibility. The Japanese model's emphasis on consensus in decision-making and employee permanence goes well with India's tradition of relationship-building and peaceful business practices. Indian model driven by regulations and supported by mandatory laws and SEBI oversight, keeps corporates accountable and ensures that they systematically follow the rules, while the Islamic model offers ethical principles that are based on fairness, trust and shared prosperity. This hybrid system, which has been influenced by law, family-run businesses, and participative governance, allows Indian companies to be globally competitive, promote sustainable growth, and be faithful to social and moral values.

\*\*\*\*\*