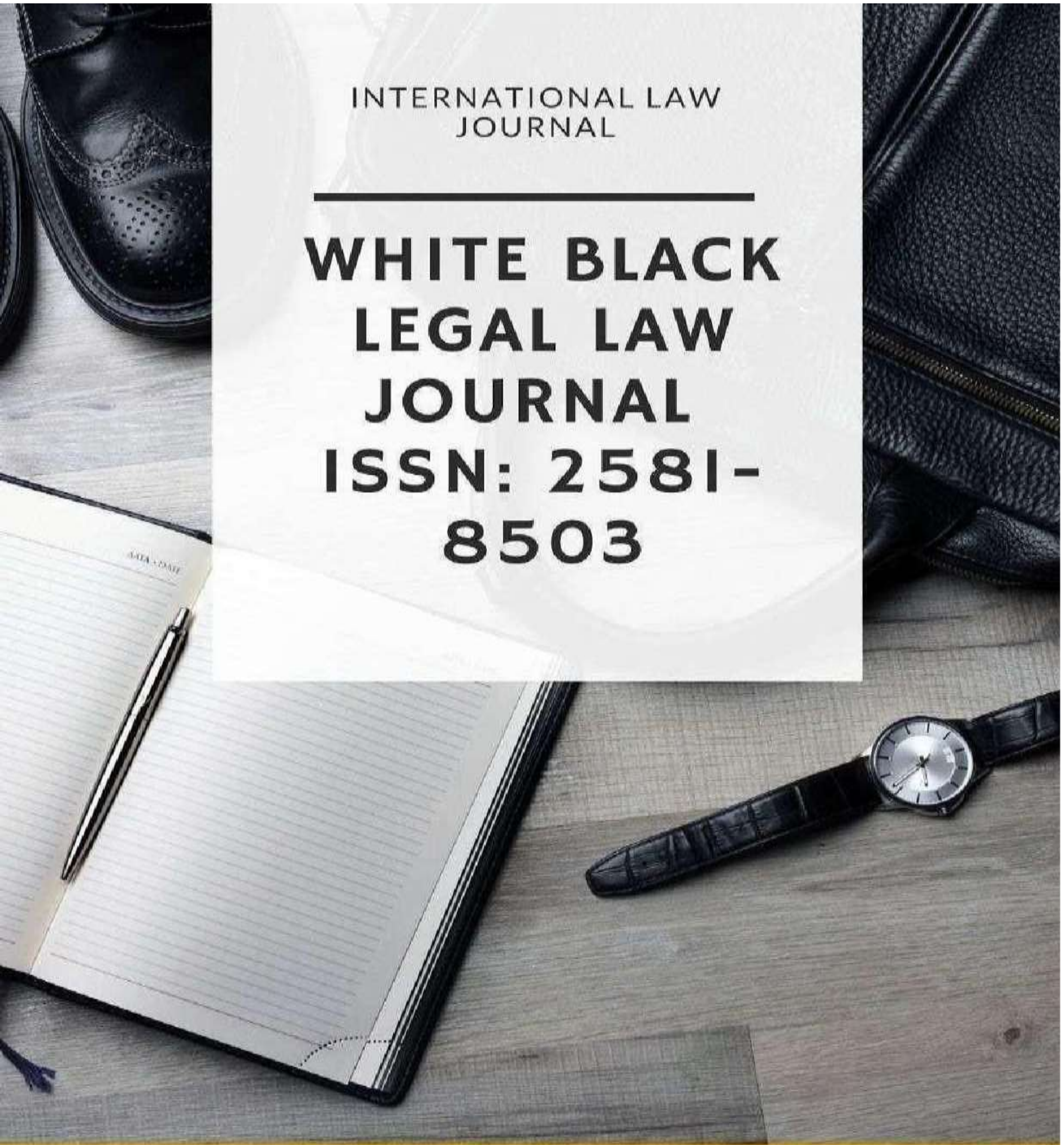
INTERNATIONAL LAW JOURNAL

WHITE BLACK LEGAL LAW JOURNAL

ISSN: 2581-8503



Peer - Reviewed & Refereed Journal

The Law Journal strives to provide a platform for discussion of International as well as National Developments in the Field of Law.

WWW.WHITEBLACKLEGAL.CO.IN

DISCLAIMER

EDITORIAL TEAM

Raju Narayana Swamy (IAS) Indian Administrative Service officer

Dr. Raju Narayana Swamy popularly known as Kerala's Anti Corruption Crusader is the All India Topper of the 1991 batch of the IAS and is currently posted as Principal Secretary to the Government of Kerala . He has earned many accolades as he hit against the political-bureaucrat corruption nexus in India. Dr Swamy holds a B.Tech in Computer Science and Engineering from the IIT Madras and a Ph. D. in Cyber Law from Gujarat National Law University . He also has an LLM (Pro) (with specialization in IPR) as well as three PG Diplomas from the National Law University, Delhi- one in Urban Environmental Management and Law, another in Environmental Law and Policy and a third one in Tourism and Environmental Law. He also holds a post-graduate diploma in IPR from the National Law School, Bengaluru and a professional diploma in Public Procurement from the World Bank.

Dr. R. K. Upadhyay

Dr. R. K. Upadhyay is Registrar, University of Kota (Raj.), Dr Upadhyay obtained LLB , LLM degrees from Banaras Hindu University & Phd from university of Kota.He has succesfully completed UGC sponsored M.R.P for the work in the ares of the various prisoners reforms in the state of the Rajasthan.

Senior Editor

Dr. Neha Mishra

Dr. Neha Mishra is Associate Professor & Associate Dean (Scholarships) in Jindal Global Law School, OP Jindal Global University. She was awarded both her PhD degree and Associate Professor & Associate Dean M.A.; LL.B. (University of Delhi); LL.M.; Ph.D. (NLSIU, Bangalore) LLM from National Law School of India University, Bengaluru; she did her LL.B. from Faculty of Law, Delhi University as well as M.A. and B.A. from Hindu College and DCAC from DU respectively. Neha has been a Visiting Fellow, School of Social Work, Michigan State University, 2016 and invited speaker Panelist at Global Conference, Whitney R. Harris World Law Institute, Washington University in St.Louis, 2015.

Ms. Sumiti Ahuja

Ms. Sumiti Ahuja, Assistant Professor, Faculty of Law, University of Delhi,

Ms. Sumiti Ahuja completed her LL.M. from the Indian Law Institute with specialization in Criminal Law and Corporate Law, and has over nine years of teaching experience. She has done her LL.B. from the Faculty of Law, University of Delhi. She is currently pursuing Ph.D. in the area of Forensics and Law. Prior to joining the teaching profession, she has worked as Research Assistant for projects funded by different agencies of Govt. of India. She has developed various audio-video teaching modules under UGC e-PG Pathshala programme in the area of Criminology, under the aegis of an MHRD Project. Her areas of interest are Criminal Law, Law of Evidence, Interpretation of Statutes, and Clinical Legal Education.

Dr. Navtika Singh Nautiyal

Dr. Navtika Singh Nautiyal presently working as an Assistant Professor in School of law, Forensic Justice and Policy studies at National Forensic Sciences University, Gandhinagar, Gujarat. She has 9 years of Teaching and Research Experience. She has completed her Philosophy of Doctorate in 'Intercountry adoption laws from Uttranchal University, Dehradun' and LLM from Indian Law Institute, New Delhi.

Dr. Rinu Saraswat

Associate Professor at School of Law, Apex University, Jaipur,
M.A, LL.M, Ph.D,

Dr. Rinu have 5 yrs of teaching experience in renowned institutions like Jagannath University and Apex University. Participated in more than 20 national and international seminars and conferences and 5 workshops and training programmes.

Dr. Nitesh Saraswat

E.MBA, LL.M, Ph.D, PGDSAPM
Currently working as Assistant Professor at Law Centre II, Faculty of Law, University of Delhi. Dr. Nitesh have 14 years of Teaching, Administrative and research experience in Renowned Institutions like Amity University, Tata Institute of Social Sciences, Jai Narain Vyas University Jodhpur, Jagannath University and Nirma University.
More than 25 Publications in renowned National and International Journals and has authored a Text book on Cr.P.C and Juvenile Delinquency law.

Subhrajit Chanda

BBA. LL.B. (Hons.) (Amity University, Rajasthan); LL. M. (UPES, Dehradun) (Nottingham Trent University, UK); Ph.D. Candidate (G.D. Goenka University)

Subhrajit did his LL.M. in Sports Law, from Nottingham Trent University of United Kingdoms, with international scholarship provided by university; he has also completed another LL.M. in Energy Law from University of Petroleum and Energy Studies, India. He did his B.B.A.LL.B. (Hons.) focussing on International Trade Law.

ABOUT US

WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal providededicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

IMPACT OF THE COMPANIES (AMENDMENT) ACT, 2020 ON CORPORATE COMPLIANCE AND GOVERNANCE

Research Dissertation submitted to Amity Institute

of Advanced Legal Studies Amity University Uttar Pradesh

In Part Fulfillment of Requirement for the Degree of Master of Laws (LLM)

Under the guidance and Supervision of

Dr. Mishal Qayoom Naqshbandi

(Assistant Professor)

Mohit Upadhyay

LLM (Business Law)

Enrolment No.- A0319324033

Batch: 2024-2025

STUDENT'S DECLARATION

This is Certified that the material embodied in the present work entitled, "**Impact of the Companies (Amendment) Act, 2020 on Corporate Compliance and Governance**" is based on my original research work. It has not been submitted in part or in for any other diploma or degree of any University. My indebtedness to other works has been duly acknowledged at relevant places.

Date :

Place : **Mohit Upadhyay**

SUPERVISOR'S CERTIFICATE

This is to certify that the thesis titled "**Impact of the Companies (Amendment) Act, 2020 on Corporate Compliance and Governance**", which is being submitted by Mr. Aman Kumar Rana for the award of degree of Master in Law is bona-fide research. He has worked on the above topic under constant supervision and guidance to my entire satisfaction and his dissertation is complete and ready for the submission. I am satisfied that this thesis is worthy of consideration for the award of the Degree of Master in Law. As this dissertation meets the requirements laid down by Amity University, Noida for awarding the Degree of Master in Law, I recommend that this dissertation may be accepted for evaluation by the University.

Date:

Place: Noida

Dr. Mishal Naqshbandi

Assistant Professor

Amity Institute of Advanced

Legal Studies (AIALS)

Amity University

ACKNOWLEDGEMENT

This dissertation would not have been possible without the direction, assistance, and support provided all the way through writing process.

In this regard, I would like to express my sincere gratitude to my supervisor Dr. Mishal Qayoom Naqshbandi, Assistant Professor, Amity Institute of Advanced Legal Studies, Amity University, Noida. Her unparalleled guidance and encouragement inspired me to work on my craft with due diligence. It was an honor to conduct my research under her auspice.

Besides my supervisor, I am incredibly grateful to all my friends, for their unfailing candor and perseverance, which fueled my mind with thought provoking ideas. Words fall short to describe my deepest sense of gratitude and indebtedness towards my parents, who acted as a bower of endless guidance and tacit support, which inspired me to work beyond my limits.

Finally, I would like to extend my heart-filled gratitude to all the faculties of AIALS for their benevolence and constant encouragement.

Date: Signature of the Candidate

Place: Noida (Mohit Upadhyay)

TABEL OF CONTENTS

LIST OF ABBREVIATIONS

1	AGM - Annual General Meeting
2	AIS - Annual Information Statement
3	CA - Chartered Accountant
4	CAGR - Compound Annual Growth Rate
5	CBI - Central Bureau of Investigation
6	CFO - Chief Financial Officer
7	CG - Corporate Governance
8	CIRC - Corporate and Investor Relations Committee
9	CSR - Corporate Social Responsibility
10	SEBI - Securities and Exchange Board of India
11	FEMA - Foreign Exchange Management Act
12	FII - Foreign Institutional Investor
13	IFC - International Finance Corporation
14	IICA - Indian Institute of Corporate Affairs
15	IRDAI - Insurance Regulatory and Development Authority of India
16	LTD - Limited
17	MCA - Ministry of Corporate Affairs
18	NCLT - National Company Law Tribunal
19	ROC - Registrar of Companies
20	SICA - Sick Industrial Companies (Special Provisions) Act

TABLE OF CASES

1	Hindustan Lever Ltd. v. State of Maharashtra (1995) 5 SCC 470	
2	Indian Bank Association v. Union of India (2014) 5 SCC 8	
3	Indian Oil Corporation v. Amritsar Gas Service (1991) 1 SCC 589	
4	Kumari Sangeeta v. State of Haryana (2005) 3 SCC 399	
5	M.C. Mehta v. Union of India (1987) 1 SCC 395	
6	Narayana Murthy v. K. Srinivas (2007) 3 SCC 275	
7	Punjab National Bank v. M/s. Jai Shree Ram Woolen Mills (1997) 8 SCC 115	
8	Rajagopal v. State of Tamil Nadu (2017) 7 SCC 121	
9	Salomon v. A. Salomon & Co. Ltd. (1897) AC 22 (HL)	
10	SEBI v. Rakhi Trading Pvt. Ltd. (2016) 5 SCC 319	
11	SEBI v. Sahara India Real Estate Corporation Ltd. (2012) 10 SCC 603	
12	Securities and Exchange Board of India (SEBI) v. Subhkam Ventures Ltd. (2018) 7 SCC 231	
13	Shree Synthetics Ltd. v. Union of India (2000) 3 SCC 579	
14	Tata Consultancy Services v. State of Andhra Pradesh (2005) 1 SCC 308	
15	V.B. Desai Financial Services Ltd. v. State of Maharashtra (2000) 5 SCC 29	

ABSTRACT

The Companies (Amendment) Act, 2020, represents a pivotal reform in the Indian corporate law landscape, addressing longstanding challenges of rigid compliance structures and promoting a conducive environment for business growth. By simplifying compliance requirements, decriminalizing minor offenses, and introducing reforms to foster transparency and accountability, the Act aligns with India's goal of becoming a global business hub.

This research critically examines the legislative changes introduced by the Amendment, its impact on corporate governance, and its effectiveness in fostering a voluntary compliance culture. The study also evaluates the practical challenges in implementation, particularly for SMEs and startups, while exploring the alignment of these reforms with international best practices.

Keywords: Companies (Amendment) Act 2020, corporate compliance, governance, SMEs, ease of doing business

CHAPTER 1

INTRODUCTION

The Companies (Amendment) Act, 2020, represents a significant reform in India's corporate governance and compliance framework. Enacted with the objective of promoting ease of doing business while ensuring accountability, the Amendment introduces key modifications to the Companies Act, 2013. These changes primarily focus on the decriminalization of certain offenses, the simplification of compliance requirements, and the rationalization of penalties, thereby reducing the regulatory burden on businesses. The Amendment aligns with the government's broader vision of fostering a conducive business environment and ensuring that corporate governance regulations evolve in response to the needs of modern enterprises. By introducing targeted reforms, the Act seeks to balance regulatory oversight with business facilitation, particularly for small and medium enterprises (SMEs) and startups, which have historically struggled with complex compliance requirements.[1]

The foundation of corporate governance in India was laid by the Companies Act, 1956, which provided a comprehensive framework for corporate regulation. However, with the changing business landscape and globalization, the need for a more robust and transparent corporate governance mechanism became evident. This led to the enactment of the Companies Act, 2013, which incorporated stringent compliance measures, enhanced disclosure requirements, and introduced provisions for corporate social responsibility (CSR).[2] Despite its progressive approach, the 2013 Act was perceived as overly rigid, particularly in its treatment of procedural lapses and minor regulatory infractions, many of which carried criminal penalties. The Companies (Amendment) Act, 2020, was introduced to rectify these issues, with a clear emphasis on decriminalization and reducing the compliance burden on businesses. Notably, the Amendment modifies several key sections of the Companies Act, 2013, including Sections 56, 64, 92, 117, 137, 165, 284, and 288, among others, to introduce a more business-friendly regulatory environment.[3]

---

[1] Bhumika Indulia, "Key Highlights of the Companies (Amendment) Act, 2020" SCC Times, 2021 *available at*: https://www.scconline.com/blog/post/2021/01/28/key-highlights-of-the-companies-amendment-act-2020/ (last visited March 15, 2025).

[2] Kavitha Devarajan and Ramaswamy Nandagopal, "Changing perspectives of corporate governance in India" Inderscience Publishers, 2013 *available at*: https://www.researchgate.net/publication/264441260_Changing_perspectives_of_corporate_governance_in_India (last visited March 15, 2025).

[3] Ayush Verma, "Companies (Amendment) Act 2020 - a much needed reform " iPleaders, 2021 *available at*: https://blog.ipleaders.in/companies-amendment-act-2020-much-needed-reform/ (last visited March 15, 2025).

One of the most notable aspects of the Amendment is the decriminalization of various offenses under the Companies Act, 2013. Prior to the reform, several procedural and technical defaults, such as lapses in corporate filings and delays in compliance, were treated as criminal offenses, often resulting in imprisonment and financial penalties for company directors and officers. The Companies (Amendment) Act, 2020, seeks to address this issue by amending Sections 56 (transfer of shares), 64 (alteration of share capital), 92 (annual return filing), 117 (filing of resolutions), and 137 (submission of financial statements), among others, to remove criminal penalties for procedural violations. Instead, such infractions are now subject to monetary penalties or adjudication by the Registrar of Companies (RoC). This reform ensures that punitive actions are reserved for serious violations involving fraud, mismanagement, or public interest concerns while allowing businesses to focus on compliance without the constant fear of criminal prosecution.[4]

The Amendment also introduces reforms aimed at enhancing ease of doing business by simplifying compliance requirements. A significant modification is seen in Section 165, which deals with the number of directorships an individual can hold. The Amendment provides relaxation for non-executive directors of public companies, allowing them to take on additional directorships without breaching regulatory limits. Additionally, Section 129A, a newly inserted provision, empowers the government to mandate specified classes of companies to prepare periodic financial results, aligning India's corporate governance standards with international best practices. Similarly, the Amendment revises Section 197, which pertains to managerial remuneration, to provide greater flexibility for companies in determining compensation structures while maintaining transparency and accountability.

Corporate Social Responsibility (CSR) obligations, introduced under Section 135 of the Companies Act, 2013, have also undergone significant changes in the Amendment. Prior to the reform, non-compliance with CSR spending requirements was treated as a criminal offense, leading to legal consequences for directors and officers. The 2020 Amendment relaxes this provision by replacing criminal penalties with administrative

---

[4] "Decriminalising Companies Act Offences – Striking a Balance Between Ease of Doing Business and Corporate Governance," India Corporate Law, 2019 *available at*: https://corporate.cyrilamarchandblogs.com/2019/09/decriminalising-companies-act-offences-ease-of-doing-business-and-corporate-governance/ (last visited March 15, 2025).

sanctions, thus encouraging voluntary compliance. Furthermore, the Amendment allows companies to carry forward excess CSR spending to subsequent financial years, thereby providing greater flexibility in meeting their obligations. These changes recognize the challenges faced by businesses, especially during economic downturns, and ensure that CSR initiatives remain sustainable and effective without the threat of punitive action.[5]

A crucial focus of the Amendment is its impact on SMEs and startups, which form the backbone of India's economic growth. Historically, these entities have faced considerable challenges in navigating the regulatory landscape, particularly in relation to incorporation, compliance, and financial reporting. To alleviate these burdens, the Amendment introduces several measures, including modifications to Section 23, which allows certain classes of public companies to list their securities in foreign jurisdictions. This change provides startups with new opportunities for fundraising and expansion in global markets. Additionally, the Amendment revises Section 379 to extend exemptions to certain classes of companies, ensuring that compliance requirements are proportionate to their scale of operations. These reforms align with the government’s "Startup India" initiative and its broader push for economic liberalization.

1.1. OVERVIEW OF CORPORATE GOVERNANCE AND COMPLIANCE IN INDIA

Corporate governance and compliance in India have undergone significant transformation over the years, primarily driven by legislative reforms and the evolving regulatory landscape. Corporate governance refers to the framework of rules, practices, and processes by which companies are directed and controlled, ensuring transparency, accountability, and fairness in their operations. Compliance, on the other hand, entails adherence to statutory and regulatory requirements imposed by governing authorities such as the Ministry of Corporate Affairs (MCA), the Securities and Exchange Board of India (SEBI), and the Reserve Bank of India (RBI). The Companies Act, 2013, forms the cornerstone of corporate governance in India, replacing the Companies Act, 1956, with a more contemporary and stringent regulatory structure. However, the rigid

---

[5] “Section 135. Corporate Social Responsibility,” Companies Act Integrated Ready Reckoner|Companies Act 2013|CAIRR *available at*: https://ca2013.com/135-corporate-social-responsibility/ (last visited March 15, 2025).

compliance requirements under the 2013 Act led to operational difficulties for businesses, necessitating amendments such as the Companies (Amendment) Act, 2017, and subsequently, the Companies (Amendment) Act, 2020, which aimed at simplifying compliance norms and fostering a more business-friendly environment.[6]

The Companies Act, 2013, introduced several key provisions to strengthen corporate governance. Section 149 mandates the appointment of independent directors in certain classes of companies, ensuring objectivity in board decisions and reducing conflicts of interest. This provision aligns with global best practices by requiring listed companies and large public companies to have at least one-third of their board comprising independent directors. Section 177 establishes the role of the Audit Committee, which is responsible for overseeing financial reporting, internal controls, and risk management. This section enhances corporate transparency by mandating companies to maintain robust oversight over financial disclosures. Similarly, Section 178 introduces the Nomination and Remuneration Committee (NRC), which ensures that executive appointments and remuneration policies are fair, merit-based, and aligned with shareholder interests.

Corporate compliance is another critical aspect of governance, ensuring that companies operate within the legal framework set by regulators. The Companies Act, 2013, outlines various compliance requirements, including mandatory filings, financial disclosures, and statutory audits. Section 92 requires companies to file an annual return with the Registrar of Companies (RoC), detailing shareholding patterns, directorships, and corporate structure. Section 134 mandates the Board of Directors to prepare and submit a financial statement along with the Board's report, including details on corporate governance practices, risk management, and compliance status. Section 204 further strengthens compliance by requiring listed companies and certain other prescribed entities to obtain a Secretarial Audit Report from a company secretary in practice, ensuring independent verification of compliance with corporate laws.[7]

---

[6] Cyril Shroff, Anchal Dhir and Anshu Choudhary, "Corporate Governance Laws and Regulations India 2024-2025" International Comparative Legal Guides International Business Reports, 15 July 2024.

[7] "Adequate provisions under the Companies Act, 2013 (Act) for strengthening corporate governance and transparency in the management of companies," *available at*: https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2110416 (last visited March 15, 2025).

The Companies (Amendment) Act, 2020, introduced significant reforms to ease compliance requirements and promote ease of doing business. One of the key changes was the decriminalization of various technical and procedural defaults. For instance, Section 56, which deals with the transfer and transmission of securities, was amended to remove criminal penalties for delays in compliance. Similarly, Sections 64, 92, 117, and 137, which pertain to share capital alteration, annual return filings, resolution filings, and financial statement submissions, were revised to replace imprisonment clauses with monetary penalties. These amendments reflect a shift towards a more pragmatic regulatory approach, ensuring that businesses are not unduly penalized for procedural lapses.

Another crucial aspect of compliance is corporate social responsibility (CSR), which was first introduced under Section 135 of the Companies Act, 2013. This provision mandates companies meeting specific financial thresholds to allocate a portion of their profits towards CSR activities. The Companies (Amendment) Act, 2020, further refined these provisions by allowing companies to carry forward excess CSR spending to future years and replacing criminal penalties with administrative sanctions for non-compliance. These changes ensure that CSR remains a strategic and sustainable initiative rather than a mere regulatory obligation.

1.2. KEY OBJECTIVES OF THE COMPANIES (AMENDMENT) ACT, 2020

The Companies (Amendment) Act, 2020, was enacted with the primary objective of promoting ease of doing business, reducing regulatory burdens, and fostering a corporate governance framework that is both efficient and business-friendly. The Amendment seeks to strike a balance between corporate accountability and regulatory flexibility, ensuring that compliance requirements do not hinder business growth while maintaining transparency and governance standards. By introducing significant reforms, including the decriminalization of minor offenses, rationalization of penalties, and relaxation of compliance norms, the Amendment aligns with India’s broader vision of creating a competitive and investor-friendly business environment. Several specific provisions within the Companies Act, 2013, were revised to achieve these objectives, ensuring that businesses, particularly small and medium enterprises (SMEs) and startups, are not excessively burdened by complex legal formalities.[8]

One of the fundamental objectives of the Amendment is the decriminalization of certain procedural and technical offenses, reducing the criminal liability of businesses for minor non-compliances. The Amendment modifies Sections 56, 64, 92, 117, 137, 165, 284, and 288 of the Companies Act, 2013, among others, to replace imprisonment and criminal prosecution with civil penalties. For instance, Section 56, which deals with the transfer and transmission of securities, now imposes monetary penalties rather than criminal consequences for procedural lapses. Similarly, Section 92, which mandates the filing of annual returns, and Section 137, concerning the submission of financial statements, have been amended to remove criminal penalties, allowing companies to rectify errors without facing legal action. This reform is particularly beneficial for companies that unintentionally fail to meet compliance deadlines due to administrative or financial constraints.

Another key objective of the Amendment is to simplify compliance procedures and promote ease of doing business, particularly for SMEs and startups. Section 23 was amended to allow certain classes of public companies to issue securities in foreign jurisdictions, facilitating easier access to international capital markets. This provision enables Indian companies to attract foreign investment while ensuring that regulatory requirements are aligned with global business practices. Additionally, Section 379 was revised to provide exemptions for certain classes of companies from compliance obligations that may be disproportionately burdensome. These measures ensure that compliance costs do not outweigh business viability, allowing SMEs and startups to focus on growth and innovation without excessive regulatory constraints.

The Amendment also aims to enhance corporate social responsibility (CSR) compliance while providing flexibility for companies in fulfilling their obligations. Section 135, which governs CSR activities, was modified to allow companies to carry forward excess CSR spending to future financial years, ensuring that businesses are not penalized for exceeding their CSR commitments. Furthermore, the provision replaces

---

[8] VINTAGE LEGAL, "Impact of the Companies (Amendment) Act, 2020 On Ease of Doing Business" Vintage Legal, 2025 *available at*: https://www.vintagelegalvl.com/post/impact-of-the-companies-amendment-act-2020-on-ease-of-doing-business (last visited March 15, 2025).

criminal penalties for non-compliance with administrative sanctions, thereby encouraging voluntary compliance rather than punitive enforcement. This change recognizes the challenges businesses face in implementing CSR projects, particularly during economic downturns, and ensures that CSR remains a strategic initiative rather than a statutory burden.[9]

A crucial aspect of the Amendment is the introduction of new financial reporting and corporate governance requirements to improve transparency and investor confidence. Section 129A, a newly inserted provision, empowers the government to mandate periodic financial reporting for specified classes of companies, aligning Indian corporate governance standards with international practices. Similarly, amendments to Section 197 provide greater flexibility in determining managerial remuneration while ensuring that executive compensation remains transparent and justifiable. These changes are designed to enhance corporate accountability, making financial disclosures more robust and accessible to stakeholders.

1.3. STATEMENT OF PROBLEM

The Companies Act, 2013, while aimed at strengthening corporate governance, imposed stringent compliance requirements that often created operational and financial burdens for businesses, particularly SMEs and startups. The criminalization of procedural lapses, excessive regulatory filings, and rigid enforcement mechanisms led to increased legal risks and reduced ease of doing business. Many companies struggled with the complexity of compliance, resulting in inadvertent violations and penalties. The Companies (Amendment) Act, 2020, was introduced to address these challenges by decriminalizing minor offenses, simplifying compliance norms, and ensuring a more balanced regulatory approach. However, its implementation presents new challenges in maintaining governance standards while promoting business growth.

1.4. RESEARCH OBJECTIVES

[9] "Corporate Social Responsibility (CSR) Under Section 135 of Companies Act 2013," Dewan P.N. Chopra & Co., 2023 *available at*: https://www.dpncindia.com/corporate-social-responsibility-under-section-135-of-companies-act-2013-2 (last visited March 15, 2025).

1. To analyze the key changes introduced by the Companies (Amendment) Act, 2020, and their impact on compliance practices.
2. To evaluate the benefits of decriminalization for businesses while maintaining governance standards.
3. To assess the role of the Amendment in enhancing the ease of doing business for SMEs and startups.
4. To explore the alignment of Indian corporate governance norms with international standards.

1.5. RESEARCH QUESTIONS

1. What are the primary reforms introduced by the Companies (Amendment) Act, 2020?
2. How has decriminalization affected the enforcement of corporate governance?
3. To what extent do the reforms alleviate the compliance burden on SMEs and startups?
4. Does the Amendment contribute to enhancing investor confidence and transparency?

1.6. LITERATURE REVIEW

Agrawal, R. (2021). "Corporate Governance Reforms and the Companies (Amendment) Act, 2020: An Overview." Journal of Corporate Law & Governance, 12(3), 45-60.[10]

This article provides a detailed examination of the corporate governance reforms introduced by the Companies (Amendment) Act, 2020. Agrawal discusses how these reforms aim to enhance transparency, reduce legal complexities, and promote ease of doing business. It critically analyzes the provisions that deal with decriminalization and their impact on corporate compliance, governance standards, and the overall regulatory landscape in India. The paper also evaluates the broader implications of these reforms for corporate governance practices in the country.

[10] Agrawal, R. (2021). "Corporate Governance Reforms and the Companies (Amendment) Act, 2020: An Overview." Journal of Corporate Law & Governance, 12(3), 45-60.

Bansal, P. (2020).[11] Bansal's article delves into the specific provisions of the Companies (Amendment) Act, 2020 that aim to reduce the regulatory burden on small and medium-sized enterprises (SMEs) and startups. It focuses on how the reforms simplify processes like incorporation, annual filings, and corporate restructuring, making it easier for smaller businesses to comply with regulatory requirements. The article also assesses the positive economic impact these changes have on innovation and entrepreneurship, highlighting the Act's role in fostering a more conducive environment for startup growth.

Choudhury, A. (2021).[12] Choudhury's article analyzes the decriminalization provisions introduced under the Companies (Amendment) Act, 2020, focusing on their impact on corporate compliance and governance. The paper explores how decriminalization of minor offenses reduces the burden on businesses while ensuring that violations do not lead to disproportionate legal consequences. The author discusses the shift from punitive measures to a more compliance-oriented approach, emphasizing the role of voluntary adherence to regulations in improving corporate governance practices and reducing red tape.

Kumar, N. (2020).[13] In this article, Kumar provides a comprehensive review of the regulatory changes brought about by the Companies (Amendment) Act, 2020, and their impact on corporate governance in India. The paper evaluates key reforms such as the reduction in penalties for non-compliance and the introduction of more streamlined processes. Kumar highlights the challenges businesses face in adapting to these changes and assesses how these reforms are likely to improve India's corporate governance standards in the long run. The article also compares India's reforms with global best practices in corporate governance.

Sharma, A. (2021).[14] Sharma's article offers a comparative analysis of corporate governance standards in India and the United Kingdom. The paper examines how the Companies (Amendment) Act, 2020 aligns India's corporate governance practices with

[11] Bansal, P. (2020). "Impact of the Companies (Amendment) Act, 2020 on SMEs and Startups in India." Indian Journal of Business Law, 9(2), 150-165.
[12] Choudhury, A. (2021). "Decriminalization in Corporate Compliance: A Step Towards Effective Governance." International Journal of Corporate Governance, 8(1), 25-40.
[13] Kumar, N. (2020). "Regulatory Changes and their Impact on Corporate Governance in India: A Review." Indian Business Law Review, 6(4), 180-194.
[14] Sharma, A. (2021). "A Comparative Study of Corporate Governance in India and the UK." Global Business and Economics Journal, 10(2), 122-135.

global norms, particularly focusing on the similarities and differences between the UK and India's approaches. Sharma evaluates regulatory frameworks, transparency measures, and the role of regulatory bodies in both countries. The article also discusses how India's reforms impact investor confidence and its position in the global business arena.

Patel, S. (2020).[15] Patel's article focuses on the Ministry of Corporate Affairs (MCA) and its role in ensuring that corporate governance standards are upheld following the implementation of the Companies (Amendment) Act, 2020. The paper explores the MCA's regulatory powers, its enforcement mechanisms, and how it has adapted to the new provisions under the Amendment. Patel examines the challenges the MCA faces in implementing these reforms and the strategies it uses to ensure compliance among corporations. The article highlights the ministry's pivotal role in enhancing corporate transparency and governance in India.

1.7. HYPOTHESIS

1. The Companies (Amendment) Act, 2020, reduces regulatory burdens and simplifies compliance frameworks.
2. Decriminalization provisions enhance voluntary compliance without undermining governance.
3. The reforms create a favorable environment for SMEs and startups, promoting entrepreneurial growth.
4. The Amendment aligns Indian corporate governance with global standards, fostering investor confidence.

1.8. RESEARCH METHODOLOGY

The research methodology employed in this study is doctrinal, which involves an in-depth analysis of existing legal texts, statutes, and judicial interpretations. This approach primarily focuses on examining the Companies (Amendment) Act, 2020, in conjunction with relevant provisions of the Companies Act, 2013, and other related legal instruments. The study will systematically analyze the statutory framework, legal reforms, and regulatory changes, utilizing secondary sources such as academic articles,

[15] Patel, S. (2020). "The Role of the Ministry of Corporate Affairs in Enforcing Corporate Governance Standards Post-2020 Amendment." Law and Policy in India, 14(1), 67-85.

books, and legal commentaries. By critically evaluating the impact of these reforms on corporate compliance and governance, the doctrinal methodology aims to derive meaningful insights into the effectiveness and implications of the Amendment.

1.9. STUDENT LEARNING OUTCOMES

1. Enhanced understanding of the relationship between legislative reforms and corporate governance.

2. Insights into the challenges of balancing regulatory flexibility with accountability.

3. Improved ability to critically analyze the implications of decriminalization on compliance culture.

4. Broader perspective on aligning domestic corporate practices with international norms.

1.10. CHAPTERIZATION

Chapter 1: Introduction

This chapter will introduce the subject of corporate governance and compliance in India, providing a comprehensive background on the Companies Act, 2013, and its subsequent amendments. It will discuss the key challenges that businesses, especially SMEs and startups, face in complying with the complex regulatory framework. The chapter will also outline the purpose and significance of the Companies (Amendment) Act, 2020, and set the stage for the research by highlighting the research questions, objectives, and methodology.

Chapter 2: Historical Context of Corporate Governance and Compliance in India

This chapter will trace the evolution of corporate governance and compliance laws in India, focusing on the Companies Act of 1956, the reforms introduced by the Companies Act, 2013, and the challenges that led to the need for further reform. The chapter will provide a historical perspective on the regulatory framework and how the changing business landscape influenced legal reforms, particularly the Companies (Amendment) Act, 2020.

Chapter 3: Key Provisions of the Companies (Amendment) Act, 2020

Detailed analysis of the Companies (Amendment) Act, 2020, this chapter will focus on the specific reforms introduced by the Act, including the decriminalization of minor offenses, the simplification of compliance procedures, and the provisions aimed at promoting ease of doing business. It will break down each provision, explaining its impact on businesses and the broader corporate governance landscape.

Chapter 4: Impact on Corporate Governance and Compliance Culture

This chapter will examine how the reforms introduced by the 2020 Amendment influence corporate governance in India. The focus will be on the potential benefits and drawbacks of the decriminalization process and its effects on voluntary compliance. The chapter will also discuss the role of regulatory bodies in maintaining governance standards post-reform and how businesses are adapting to these changes.

Chapter 5: Addressing the Needs of SMEs and Startups

Critical focus of the Companies (Amendment) Act, 2020, is to ease the regulatory burden on SMEs and startups. This chapter will explore how the reform provisions cater to these segments, examining the simplification of processes like incorporation, filings, and corporate restructuring. It will also assess the practical implications for smaller businesses in terms of growth, ease of operation, and regulatory compliance.

Chapter 6: Comparative Analysis with Global Corporate Governance Standards

In this chapter, the research will conduct a comparative analysis between the Companies (Amendment) Act, 2020, and corporate governance frameworks in other countries, such as the UK, the US, and the EU. This comparison will help evaluate how the Indian reforms align with international best practices and whether they contribute to enhancing India's global business standing.

Chapter 7: Challenges and Opportunities in Implementing the Reforms

While the Companies (Amendment) Act, 2020, presents several promising reforms, its implementation faces significant challenges. This chapter will discuss the practical hurdles businesses encounter when adapting to the new provisions, such as issues related to enforcement, awareness, and the readiness of SMEs to comply. It will also explore the opportunities the reforms provide for innovation, entrepreneurship, and economic growth.

Chapter 8: Conclusion and Recommendations

The final chapter will summarize the key findings of the dissertation and provide an overall evaluation of the Companies (Amendment) Act, 2020. It will reflect on the Act’s effectiveness in improving corporate governance and compliance practices in India. The chapter will conclude with policy recommendations for further reforms, addressing areas that need additional attention and outlining suggestions for improving the overall business ecosystem in India.

CHAPTER 2

HISTORICAL CONTEXT OF CORPORATE GOVERNANCE AND COMPLIANCE IN INDIA

2.1 CORPORATE GOVERNANCE UNDER THE COMPANIES ACT, 1956

The corporate governance framework in India began taking shape with the enactment of the Companies Act, 1956, which governed the regulation of companies for several decades. At its core, the Act provided a set of provisions primarily focused on company registration, financial reporting, shareholder rights, and duties of directors. However, the Companies Act, 1956, did not place substantial emphasis on formalizing comprehensive governance mechanisms that ensured transparency, accountability, and ethical business practices in corporate structures. While the Act set out broad statutory requirements, it did not include provisions for the appointment of independent directors or specific committees to oversee governance practices, such as audit committees or nomination and remuneration committees, which are considered essential for modern corporate governance.[16]

The Companies Act, 1956, also failed to address the need for a more structured approach to corporate accountability, especially in light of the increasing complexities of businesses in a post-liberalization era. There was no distinct emphasis on the relationship between management and shareholders, nor did it account for emerging practices of board independence, managerial transparency, and shareholder activism. Additionally, while there were requirements for financial disclosures and auditing, these provisions were often seen as perfunctory and insufficient to ensure true transparency or combat corporate misconduct.[17]

As the Indian economy opened up to globalization in the 1990s, and with the increasing complexity of business environments, the inadequacies of the 1956 Act became apparent. There was growing recognition of the need for reforms that would ensure better corporate governance practices, investor protection, and regulatory oversight. The inadequacies of the Companies Act, 1956, were further exposed through a series of corporate scandals that underscored the critical need for a more robust legal framework to regulate corporate behavior and protect public interest. This laid the

[16] "Corporate Governance in India," *available at*: https://legalserviceindia.com/legal/article-6465-corporate-governance-in-india.html (last visited March 15, 2025).
[17] Alan S. Gutterman, "Introduction to Corporate Governance" unknown, 2023 *available at*: https://www.researchgate.net/publication/371782273_Introduction_to_Corporate_Governance (last visited March 15, 2025).

groundwork for comprehensive corporate governance reforms, which were addressed in the Companies Act, 2013.[18]

2.2 REFORMS INTRODUCED BY THE COMPANIES ACT, 2013

The enactment of the Companies Act, 2013, marked a significant shift in India's corporate governance landscape. It was a response to the emerging challenges and shortcomings of the Companies Act, 1956, and aimed to align Indian corporate law with global best practices, while promoting transparency, accountability, and ethical business practices. One of the primary reforms introduced by the Companies Act, 2013, was the mandatory appointment of independent directors in certain classes of companies, as outlined in Section 149. This provision was aimed at enhancing the objectivity of board decisions and reducing the influence of controlling shareholders on corporate governance. The independent director's role was formalized as a key player in decision-making, oversight, and ensuring the protection of minority shareholders' interests.[19]

In addition to the introduction of independent directors, the Companies Act, 2013, laid out specific requirements for the establishment of various board committees, including the Audit Committee (Section 177) and the Nomination and Remuneration Committee (Section 178). These committees were tasked with overseeing financial disclosures, the appointment of directors, executive remuneration, and other aspects of governance, ensuring that corporate decisions were made in a transparent and accountable manner. Section 177, which deals with the formation of the Audit Committee, was particularly significant as it required companies to maintain a robust internal control system and oversight over financial reporting.

The Companies Act, 2013, also introduced stricter provisions related to corporate financial reporting and the responsibilities of auditors. Section 134 mandated that the Board of Directors approve and sign the financial statements, while Section 143 emphasized the role of auditors in ensuring the accuracy and integrity of the company's

---

[18] "Globalisation: the role of institution building in the financial sector," Treasury.gov.au *available at*: https://treasury.gov.au/publication/economic-roundup-summer-2003-04/globalisation-the-role-of-institution-building-in-the-financial-sector (last visited March 15, 2025).

[19] "Difference Between Companies Act 1956 and 2013: Key Comparisons Explained," *available at*: https://thelegalschool.in/blog/difference-between-companies-act-1956-and-2013 (last visited March 15, 2025).

financial disclosures. These provisions aimed to strengthen corporate transparency and provide shareholders with clearer, more reliable financial information. Moreover, the Act addressed the role of company secretaries, emphasizing their duty to ensure compliance with regulatory requirements and governance standards.[20]

Another crucial reform in the Companies Act, 2013, was the introduction of the Corporate Social Responsibility (CSR) provision under Section 135. This provision mandated that companies meeting certain financial thresholds allocate a portion of their profits to CSR activities, fostering a culture of corporate responsibility and sustainability. Additionally, the Companies Act, 2013, introduced provisions to enhance shareholder rights, such as the ability to propose resolutions, seek protection from oppressive actions, and request special audits.

Despite these far-reaching reforms, the Companies Act, 2013, was not without its challenges. While it addressed many of the governance shortcomings of the Companies Act, 1956, its implementation proved difficult for many small and medium-sized enterprises (SMEs), which faced challenges in meeting the extensive compliance requirements. Furthermore, some provisions of the 2013 Act, such as the stringent penalties and rigid compliance norms, were seen as burdensome, particularly for new and smaller businesses, which lacked the resources to comply with the complex legal structure.

2.3 ISSUES AND CHALLENGES IN CORPORATE COMPLIANCE PRE-2020

Despite the significant reforms introduced by the Companies Act, 2013, the period leading up to the Companies (Amendment) Act, 2020, revealed several persistent issues and challenges in corporate compliance. One of the major challenges was the overwhelming regulatory burden imposed on businesses, especially SMEs. Many small businesses found it difficult to comply with the extensive filing requirements and procedural obligations, leading to inadvertent non-compliance. In particular, the provisions related to financial reporting, auditing, and annual returns were seen as

[20] "Section 134. Financial statement, Board's report, etc," Companies Act Integrated Ready Reckoner|Companies Act 2013|CAIRR *available at*: https://ca2013.com/134-financial-statement-boards-report-etc/ (last visited March 15, 2025).

particularly cumbersome, requiring significant time and resources to meet deadlines and maintain accurate records.[21]

The severity of penalties and the criminalization of certain procedural violations under the Companies Act, 2013, also created a deterrent effect on businesses, particularly SMEs, which lacked the legal infrastructure to ensure strict adherence to regulations. Many minor, unintentional lapses in compliance were penalized through criminal prosecution, leading to unnecessary legal costs, business disruption, and reputational damage. This rigid approach often created an environment of fear and confusion, where businesses, especially smaller ones, were hesitant to take risks or innovate due to the fear of penalties for non-compliance.

The complexities of the compliance framework under the 2013 Act were also exacerbated by the fragmented nature of India's regulatory landscape, with overlapping requirements from various authorities such as the Ministry of Corporate Affairs (MCA), the Securities and Exchange Board of India (SEBI), and the Reserve Bank of India (RBI). Companies were often required to file multiple documents and reports with different authorities, leading to confusion and inefficiencies. The lack of synchronization between these agencies also contributed to delays in regulatory approvals and the processing of filings.

2.4 RATIONALE BEHIND THE COMPANIES (AMENDMENT) ACT, 2020

The Companies (Amendment) Act, 2020, was introduced to address the persistent issues of regulatory complexity, high compliance costs, and the lack of flexibility that characterized the Companies Act, 2013. The primary rationale behind the amendment was to simplify the corporate compliance process, reduce the burden on businesses—especially SMEs and startups—and align India's corporate governance framework with international standards. The amendments aimed to create a more investor-friendly business environment, promoting growth, innovation, and ease of doing business while ensuring that corporate governance standards remained intact.

---

[21] VINTAGE LEGAL, "Impact of the Companies (Amendment) Act, 2020 On Ease of Doing Business" Vintage Legal, 2025 *available at*: https://www.vintagelegalvl.com/post/impact-of-the-companies-amendment-act-2020-on-ease-of-doing-business (last visited March 15, 2025).

A key driver behind the 2020 amendment was the decriminalization of certain minor offenses and violations that were previously punishable with criminal penalties. By removing imprisonment clauses for procedural lapses, such as delayed filings or minor technical non-compliance, the Amendment introduced a more pragmatic approach to corporate governance, focusing on financial penalties rather than punitive measures. This shift was particularly important for SMEs, which often lacked the resources to meet the stringent deadlines and compliance requirements of the Companies Act, 2013. By replacing criminal prosecution with fines, businesses were given an opportunity to rectify errors without facing the severe consequences that could disrupt operations.[22]

Furthermore, the 2020 Amendment sought to ease the process of doing business by simplifying the procedures for incorporation, filing, and other regulatory approvals. The introduction of provisions to facilitate faster approval processes and remove unnecessary formalities was aimed at reducing the red tape that had hindered the growth of SMEs and startups. Provisions such as the relaxation of CSR rules and the introduction of greater flexibility in managerial remuneration were also designed to make compliance easier and more manageable for smaller businesses.

2.5 EVOLUTION OF REGULATORY BODIES AND THEIR ROLE IN CORPORATE GOVERNANCE

The evolution of regulatory bodies in India has played a crucial role in shaping corporate governance practices, ensuring transparency, accountability, and legal compliance in corporate affairs. Initially, the regulatory framework in India was relatively rudimentary, with limited institutional oversight. However, with the growth of the corporate sector, the need for effective regulation and governance became more apparent, prompting the establishment and strengthening of various regulatory bodies. These bodies have evolved over time to address emerging challenges in the business landscape and to ensure the protection of investor interests, ethical business practices, and the proper functioning of the corporate sector.

One of the primary regulatory bodies in India responsible for corporate governance is the Ministry of Corporate Affairs (MCA). The MCA is the nodal agency overseeing the

[22] Deepika Kumari, "An Act Decriminalising Minor Offences" India, 2023 *available at*: https://www.mondaq.com/india/crime/1369810/an-act-decriminalising-minor-offences (last visited March 15, 2025).

implementation and enforcement of the Companies Act, 2013, and earlier versions of the law. Under the Companies Act, 2013, the MCA is empowered to formulate regulations, issue guidelines, and take action against companies for non-compliance with the law. The MCA's role extends to the registration of companies, maintenance of the corporate registry, and ensuring adherence to regulatory requirements like filing annual returns, financial statements, and other mandatory disclosures. In particular, sections like Section 205A and Section 205B of the Companies Act, 1956, which have been carried forward into the 2013 Act, were originally designed to provide oversight of financial reporting and auditor functions.[23]

The Securities and Exchange Board of India (SEBI) is another significant regulatory body that has played an instrumental role in corporate governance, particularly for listed companies. SEBI was established in 1988, with a statutory mandate under the SEBI Act, 1992. Its primary responsibility is to regulate the securities market and protect the interests of investors. SEBI's role in corporate governance is crucial, as it sets out detailed provisions for the corporate governance of listed companies, including the composition of boards, the role of independent directors, and the transparency of financial disclosures. SEBI’s listing regulations, particularly the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, incorporate extensive corporate governance norms that listed entities must adhere to. These regulations require companies to have independent directors, establish audit committees, and disclose their financial statements in a manner that upholds the principles of transparency and accountability.

The Reserve Bank of India (RBI) also plays a significant role in the regulatory framework of corporate governance, particularly with respect to financial institutions and banks. The RBI’s regulations, such as those under the Banking Regulation Act, 1949, and the RBI’s master directions for corporate governance, set out the expectations for the governance structures of banks and financial institutions in India. These guidelines address issues such as the composition of the board of directors, the independence of directors, and the need for robust risk management systems within the financial sector. The RBI’s role has become even more critical following the

[23] Cyril Shroff, Anchal Dhir and Anshu Choudhary, “Corporate Governance Laws and Regulations India 2024-2025” International Comparative Legal Guides International Business Reports, 15 July 2024.

liberalization of the Indian economy and the subsequent growth in the number of private sector banks and financial entities.[24]

The Institute of Company Secretaries of India (ICSI) is another key player in the corporate governance landscape. Although not a regulatory body in the strictest sense, the ICSI is a statutory professional body that regulates the profession of company secretaries in India. Company secretaries are central to ensuring compliance with corporate governance norms and legal regulations. The ICSI's role has grown in importance with the increasing complexity of governance requirements under the Companies Act, 2013, and the introduction of new compliance norms, including those related to the role of independent directors, audit committees, and financial disclosures. Through its educational programs, professional certifications, and advisory roles, the ICSI has contributed to raising the standards of corporate governance in India.

Overall, the evolution of regulatory bodies in India has been a response to the growing complexities of the corporate sector and the need for more robust oversight mechanisms. These bodies have been instrumental in shaping corporate governance practices, protecting investors, and ensuring that businesses comply with legal and ethical standards. Through their continuous evolution and adaptation, they continue to play a pivotal role in strengthening corporate governance in India.

[24] Mohit Bhatia et al., "In brief: banking regulatory framework in India" Shardul Amarchand Mangaldas & Co, 16 March 2022.

CHAPTER 3

KEY PROVISIONS OF THE COMPANIES (AMENDMENT) ACT, 2020

3.1 DECRIMINALIZATION OF MINOR OFFENSES AND ITS IMPLICATIONS

The Companies (Amendment) Act, 2020, brought significant changes to the Indian corporate governance landscape, particularly by addressing the issue of the criminalization of minor offenses. One of the most notable reforms introduced by the Act was the decriminalization of certain minor violations, which had previously attracted harsh penalties under the Companies Act, 2013. This reform was designed to ease the regulatory burden on businesses, especially small and medium-sized enterprises (SMEs) and startups, which often struggled to comply with the complex and rigorous provisions of the 2013 Act. By replacing criminal penalties with financial penalties for minor non-compliance, the amendment sought to reduce the fear and stigma associated with corporate violations, creating a more business-friendly environment.[25]

The decriminalization provisions of the Companies (Amendment) Act, 2020, focused on offenses related to non-compliance with procedural aspects such as the filing of documents, failure to maintain proper registers, or delays in holding annual general meetings (AGMs). Under the previous framework, many of these non-compliances were subject to criminal penalties, including imprisonment, which was disproportionate for relatively minor infractions. By removing imprisonment clauses for such offenses, the amendment aimed to ensure that businesses could focus on rectifying mistakes without the threat of severe legal consequences.[26]

Section 454 of the Companies Act, 2013, which previously allowed for criminal prosecution for certain procedural lapses, was significantly revised. The 2020 amendment introduced a system whereby penalties were imposed through a more streamlined process, reducing the need for lengthy legal proceedings. The offenses were now classified into compoundable offenses, and the punishment for these minor violations was restricted to monetary fines rather than imprisonment. This was a

[25] Sagar Agrawal, "White & Brief" White & Brief Advocates & Solicitors, 2025 *available at*: https://whiteandbrief.com/decriminalization-offenses-amendments-corporate-governance/ (last visited March 15, 2025).
[26] Ayush Verma, "Companies (Amendment) Act 2020 - a much needed reform " iPleaders, 2021 *available at*: https://blog.ipleaders.in/companies-amendment-act-2020-much-needed-reform/ (last visited March 15, 2025).

positive shift toward a more proportionate and practical approach to regulatory compliance.[27]

The decriminalization of minor offenses also reflected the government's recognition that a rigid and punitive approach to corporate governance could lead to unintended consequences, particularly for SMEs. The previous regime often led to businesses, especially smaller ones with fewer resources, inadvertently falling foul of regulations due to their limited understanding of complex compliance requirements. The threat of criminal prosecution in such cases could have devastating effects on their operations. By adopting a more lenient approach, the 2020 amendment provided businesses with an opportunity to focus on voluntary compliance without fear of facing severe legal repercussions for minor infractions.[28]

This reform also addressed concerns regarding the judicial system's capacity to handle corporate cases. The decriminalization of minor offenses helped reduce the burden on the judiciary and allowed legal resources to be focused on more serious offenses, such as fraud, misrepresentation, or financial malpractices. The decriminalization process was also consistent with international trends, where many developed economies have opted for fines and administrative penalties rather than criminal sanctions for minor compliance violations.

While the decriminalization of minor offenses was hailed as a positive step for improving ease of doing business, there are concerns about whether this approach could lead to a lack of deterrence for non-compliance. Critics argue that businesses may perceive the reduced penalties as a signal that compliance is not a priority. However, the Companies (Amendment) Act, 2020, sought to address this concern by maintaining strict enforcement for serious violations and ensuring that regulatory bodies such as the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI) would continue to monitor corporate conduct closely. Thus, while minor

---

[27] "Section 454. Adjudication of penalties," Companies Act Integrated Ready Reckoner|Companies Act 2013|CAIRR *available at*: https://ca2013.com/454-adjudication-of-penalties/ (last visited March 15, 2025).

[28] "Decriminalising Companies Act Offences – Striking a Balance Between Ease of Doing Business and Corporate Governance," India Corporate Law, 2019 *available at*: https://corporate.cyrilamarchandblogs.com/2019/09/decriminalising-companies-act-offences-ease-of-doing-business-and-corporate-governance/ (last visited March 15, 2025).

offenses were decriminalized, the regulatory framework continued to emphasize the importance of compliance with key corporate governance norms.[29]

3.2 SIMPLIFICATION OF COMPLIANCE PROCEDURES FOR BUSINESSES

One of the key objectives of the Companies (Amendment) Act, 2020, was to simplify the compliance process for businesses. The 2013 Act was often criticized for its complex and burdensome regulatory requirements, which made it difficult for companies, especially startups and SMEs, to navigate the legal framework. The 2020 amendment addressed this issue by streamlining several compliance procedures, making it easier for businesses to operate within the legal framework and encouraging greater compliance with the law.

One of the significant changes introduced by the amendment was the simplification of the incorporation process. The amendment introduced a provision for the ease of business registration by reducing the time and cost associated with company incorporation. The introduction of the “spice+” form under the amendment streamlined the process, allowing for the registration of a company in a more efficient and user-friendly manner. This single form for incorporation, name reservation, and other mandatory registrations eliminated the need for businesses to submit multiple documents to different authorities, significantly reducing red tape and administrative delays.

The amendment also introduced provisions aimed at easing the process for filing annual returns and financial statements. Under the 2020 amendment, businesses were granted more time to file their annual returns, and certain requirements related to the maintenance of records and registers were relaxed. For instance, the amendment allowed companies to file their financial statements in electronic form, reducing the need for paper documentation and simplifying the filing process. This change was in line with the government's broader push towards digitalization, which aims to enhance efficiency and reduce the administrative burden on businesses.[30]

---

[29] “The Decriminalisation Conversation Needs to go Beyond Ease of Doing Business,” Vidhi Centre for Legal Policy, 2023 *available at*: https://vidhilegalpolicy.in/blog/the-decriminalisation-conversation-needs-to-go-beyond-ease-of-doing-business/ (last visited March 15, 2025).

[30] “The Companies (Amendment) Bill, 2020,” PRS Legislative Research *available at*: https://prsindia.org/billtrack/the-companies-amendment-bill-2020 (last visited March 15, 2025).

Moreover, the amendment simplified the process for corporate restructuring, including mergers, demergers, and schemes of arrangement. Section 230 of the Companies Act, 2013, which deals with the approval of corporate restructuring schemes, was modified to allow for a faster and more transparent approval process. The amendment provided for more flexibility in the approval mechanisms, allowing companies to achieve restructuring goals in a more efficient manner while minimizing procedural delays. These changes helped reduce the time and cost associated with corporate restructuring, providing businesses with greater flexibility in adapting to market conditions and pursuing growth opportunities.

The simplification of compliance procedures also extended to the process of filing for government approvals and obtaining clearances. Under the Companies (Amendment) Act, 2020, businesses were provided with clearer guidelines regarding the approval processes for foreign investments, changes in shareholding structures, and other key regulatory filings. The introduction of online filing systems and digital platforms for regulatory compliance further streamlined these processes, allowing businesses to submit necessary documents and receive approvals more quickly and efficiently.

3.3 ENHANCING EASE OF DOING BUSINESS THROUGH REGULATORY CHANGES

One of the overarching goals of the Companies (Amendment) Act, 2020, was to enhance the ease of doing business in India by creating a more conducive regulatory environment for businesses. The government recognized that a cumbersome regulatory framework was one of the key barriers to investment and growth, particularly for small and medium-sized enterprises. Therefore, the amendment introduced several regulatory changes designed to reduce administrative hurdles, enhance transparency, and promote a business-friendly environment.

One of the most significant changes introduced by the Companies (Amendment) Act, 2020, was the introduction of provisions that simplified the regulatory requirements for foreign companies operating in India. The amendment allowed for easier procedures for foreign companies to establish branches, representative offices, and liaison offices in India. These changes aimed to attract more foreign direct investment (FDI) and encourage greater international participation in the Indian economy. By reducing the complexity of regulatory processes and offering more flexible options for foreign businesses, the amendment helped make India a more attractive destination for global investors.[31]

Another key provision designed to enhance the ease of doing business was the introduction of new regulations concerning corporate social responsibility (CSR). The amendment addressed certain complexities in the CSR framework, such as the treatment of unspent CSR funds. Under the new provisions, companies were given more flexibility in utilizing their CSR funds, allowing them to carry forward unspent amounts to the next financial year or use them for specific purposes that aligned with the company's long-term sustainability goals. This change reduced the administrative burden on companies and provided them with more autonomy in managing their CSR initiatives. The amendment also made significant strides in improving the corporate insolvency resolution process. Under the Insolvency and Bankruptcy Code (IBC), the Companies (Amendment) Act, 2020, introduced changes that allowed businesses to resolve insolvency issues more efficiently. The amendments provided for a faster and more streamlined process for the revival of financially distressed companies, enabling them to return to profitability and avoid prolonged legal battles. By making the insolvency process more efficient, the amendment helped reduce the risks associated with business failure and allowed companies to focus on recovery and growth.

3.4 CORPORATE SOCIAL RESPONSIBILITY (CSR) REFORMS UNDER THE AMENDMENT

The Companies (Amendment) Act, 2020, introduced several notable reforms concerning Corporate Social Responsibility (CSR), aimed at enhancing the effectiveness, transparency, and compliance of CSR activities in India. CSR, under the Companies Act, 2013, became a statutory obligation for certain classes of companies, and the 2020 amendment further clarified and refined various provisions related to CSR, ensuring that businesses contribute to social causes while maintaining flexibility in their approach.[32]

---

[31] "Introduction of the Companies (Amendment) Act, 2020," Dewan P.N. Chopra & Co., 2020 *available at*: https://www.dpncindia.com/introduction-of-the-companies-amendment-act-2020 (last visited March 15, 2025).

[32] ayush chandra, "India's Corporate Social Responsibility (CSR) Compliance: Recent Legal Amendments and Their Impact » LegalOnus" LegalOnus, 2024 *available at*: https://legalonus.com/indias-corporate-social-responsibility-csr-compliance-recent-legal-amendments-and-their-impact/ (last visited March 15, 2025).

One of the significant reforms was the introduction of Section 135(5), which allows for greater flexibility in carrying forward unspent CSR funds. Under the previous framework, companies were required to spend their CSR funds within the financial year, failing which they faced penalties or adverse regulatory consequences. However, the 2020 amendment provides companies the opportunity to carry forward unspent CSR funds for a period of up to three years. This change provides companies with additional time to deploy their CSR resources effectively, especially for long-term projects that may require multiple years to complete.

Another key reform was the clarification regarding the treatment of CSR obligations in the event of a company's closure or winding up. Section 135(5) also states that in cases where a company does not spend its CSR funds within the prescribed time frame and no adequate explanation is provided, the funds will be transferred to a specified fund under the government's supervision. The amendment encourages better planning and execution of CSR activities by ensuring that unused CSR funds are not wasted but are instead directed towards public welfare through appropriate government mechanisms. This also prevents companies from merely earmarking CSR funds without effective deployment.

The 2020 amendment also made provisions for enhanced monitoring and reporting of CSR activities. Companies are now required to provide more detailed disclosures regarding the execution of CSR programs, including the nature of the projects funded, the amount spent, and the impact of the activities. These disclosures are made mandatory through the Board's report, as outlined under Section 134(3)(o) of the Companies Act, 2013. The enhanced transparency ensures that companies are held accountable for their CSR expenditures and that the public can assess the effectiveness of their contributions to societal development.

Furthermore, the amendment introduced provisions for companies to undertake CSR activities in a more streamlined manner. It made it clear that spending on CSR activities through entities such as trusts, societies, or non-governmental organizations (NGOs) must be done only through entities that are duly registered and meet certain eligibility criteria. This ensures that CSR funds are channeled to reputable and effective organizations, improving the overall integrity of CSR programs and preventing misuse of resources.[33]

3.5 AMENDMENTS IN CORPORATE DISCLOSURES AND FINANCIAL REPORTING

The Companies (Amendment) Act, 2020, introduced several critical changes to the corporate disclosure and financial reporting requirements under the Companies Act, 2013. These changes aimed at enhancing the transparency, accountability, and accuracy of financial information disclosed by companies. By tightening the reporting framework, the amendment sought to promote better corporate governance, bolster investor confidence, and bring India's corporate disclosure practices closer in line with global standards.

One of the most significant amendments related to corporate disclosures was the introduction of enhanced reporting requirements for companies concerning their financial health and governance. Section 134 of the Companies Act, 2013, which mandates the preparation of the Board's report, was modified to include more detailed disclosures on a wide range of corporate activities. Companies are now required to disclose additional information regarding their financial performance, risk management strategies, and details of their CSR activities. For instance, the Board's report must include information regarding the evaluation of the company's internal control systems, details of the company's risk management policy, and an assessment of the company's compliance with legal and regulatory frameworks.

Furthermore, the amendment strengthened the provisions relating to the disclosure of non-financial information. This included expanding the requirements for companies to disclose key environmental, social, and governance (ESG) metrics. This change was aimed at meeting the growing demand from investors, regulators, and other stakeholders for more comprehensive and reliable non-financial information that goes beyond traditional financial reporting. Section 134(3)(p) of the Companies Act now requires companies to report their initiatives in relation to environmental sustainability, ethical business practices, and their contribution to social causes. This aligns with

[33] Samheeta Rao, "CSR Act amendments: All you need to know" Times of India, 30 April 2021.

global trends where companies are increasingly evaluated not just on their financial performance, but also on their social and environmental impact.[34]

The 2020 amendment also introduced stricter penalties for companies failing to comply with the disclosure requirements, thereby ensuring greater adherence to transparency norms. Previously, the consequences for non-compliance with corporate disclosure regulations were considered lenient. However, the amendment provides for heavier fines and penalties for directors and officers of companies found guilty of deliberate misreporting or negligence in the preparation of financial statements. This was done to promote greater responsibility and diligence in corporate reporting practices.

The role of auditors in corporate disclosures was also significantly enhanced under the amendment. Section 143 of the Companies Act, 2013, which deals with the powers and duties of auditors, was strengthened to ensure that auditors perform more comprehensive and thorough audits of financial statements. The 2020 amendment introduced provisions that require auditors to not only verify the financial statements but also assess the adequacy and effectiveness of the company's internal controls, risk management processes, and compliance with applicable laws. This increases the quality and reliability of financial reporting and further reinforces the role of auditors in safeguarding the interests of shareholders and other stakeholders.

Another crucial change introduced by the Companies (Amendment) Act, 2020, is related to the disclosure of financial interests and transactions with related parties. Section 188 of the Companies Act, 2013, which governs related party transactions (RPTs), was amended to require more stringent disclosures concerning such transactions. Companies are now mandated to disclose the nature, value, and details of all related party transactions in their annual reports. Additionally, they must provide a detailed explanation of the rationale for entering into such transactions and how they were conducted at arm's length. This is intended to prevent the misuse of related party transactions for personal gain and ensure that they are conducted in a manner that protects the interests of minority shareholders.[35]

---

[34] India Briefing, "ESG Reporting in India to be Mandatory for Big Firms from FY 2022-23" India Briefing News, 2021 *available at*: https://www.india-briefing.com/news/esg-reporting-india-new-disclosure-requirements-sustainability-23471.html/ (last visited March 15, 2025).
[35] Bharat Vasani, "SEBI Working Group on Related Party Transactions: Will the net be cast too wide?" India Corporate Law, 2020 *available at*: https://corporate.cyrilamarchandblogs.com/2020/02/sebi-

The amendment also made provisions for improving the accuracy and timeliness of financial reporting. For example, it introduced mandatory quarterly disclosures for listed companies, ensuring that investors and other stakeholders have access to timely and accurate financial information throughout the year, rather than just at the end of the fiscal year. This change is particularly relevant in the context of the fast-paced business environment, where stakeholders require regular updates to assess a company's financial position and performance.

In conclusion, the amendments made in the Companies (Amendment) Act, 2020, regarding corporate disclosures and financial reporting are critical steps in strengthening corporate governance in India. These changes increase the transparency, accountability, and accuracy of financial reporting, ensuring that companies adhere to the highest standards of disclosure. By enhancing the quality of financial statements and providing a clearer picture of a company's governance practices, the amendments not only protect the interests of investors but also contribute to building a more trustworthy and competitive corporate sector in India.

working-group-on-related-party-transactions-will-the-net-be-cast-too-wide/ (last visited March 15, 2025).

CHAPTER 4

IMPACT ON CORPORATE GOVERNANCE AND COMPLIANCE CULTURE

4.1 STRENGTHENING VOLUNTARY COMPLIANCE AND SELF-REGULATION

The Companies (Amendment) Act, 2020, represents a significant shift towards fostering voluntary compliance and self-regulation among corporations. The emphasis on self-regulation is designed to reduce the burden on regulatory bodies and encourage companies to voluntarily comply with corporate governance standards. This is particularly evident in the decriminalization of minor offenses, which removes certain legal penalties for trivial violations, shifting the focus from punitive measures to proactive compliance.[36]

Section 446B of the Companies Act, 2013, was introduced as part of the amendment, allowing for the reduction or waiver of penalties for minor violations. This amendment has changed the compliance landscape, particularly for small and medium-sized enterprises (SMEs). By reducing the fear of penal consequences for minor offenses, the reform encourages companies to adopt a culture of voluntary compliance. Firms are now more likely to engage with regulatory frameworks without the threat of harsh penalties, provided their violations do not significantly harm shareholders, stakeholders, or the integrity of the market.[37]

The decriminalization of certain offenses, as outlined in Section 446A of the Companies Act, 2013, and other provisions, further promotes voluntary compliance. Companies now have a greater incentive to self-regulate, as the amended law emphasizes the importance of corrective measures over punishment. This change is particularly impactful for corporate directors and officers, who are now encouraged to address issues promptly, reducing the need for heavy-handed enforcement by regulatory authorities.

Furthermore, the amendment places greater responsibility on boards of directors to ensure compliance, particularly in terms of corporate social responsibility (CSR) and financial disclosures. The enhanced role of the board in ensuring voluntary compliance strengthens corporate governance structures by holding management accountable for

[36] "The Companies (Amendment) Bill, 2020," PRS Legislative Research *available at*: https://prsindia.org/billtrack/the-companies-amendment-bill-2020 (last visited March 15, 2025).
[37] "Section 446B of Companies Act, 2013: Lesser penalties for certain companies – IBC Laws," *available at*: https://ibclaw.in/section-446b-of-the-companies-act-2013-lesser-penalties-for-certain-companies/ (last visited March 15, 2025).

maintaining robust internal controls. This shift towards self-regulation is expected to reduce the compliance burden on businesses, particularly SMEs, while still maintaining high governance standards.[38] The regulatory changes, including the focus on voluntary compliance, align with global best practices that advocate for a collaborative approach between regulatory authorities and businesses. The goal is to create an ecosystem where businesses comply with the rules, not out of fear of penalties, but because they understand the benefits of good governance in the long term.[39]

4.2 ROLE OF REGULATORY BODIES IN POST-REFORM CORPORATE GOVERNANCE

Post-reform, regulatory bodies have a critical role in maintaining the integrity of the corporate governance framework. While the Companies (Amendment) Act, 2020, has shifted some responsibility to corporate boards and management to adopt self-regulation, regulatory bodies like the Ministry of Corporate Affairs (MCA), Securities and Exchange Board of India (SEBI), and the Institute of Chartered Accountants of India (ICAI) remain instrumental in overseeing and guiding compliance. The MCA's role remains pivotal in ensuring that companies adhere to the provisions of the Companies Act, 2013, especially with regard to financial reporting, corporate disclosures, and CSR activities. In the post-reform landscape, regulatory bodies must be vigilant in monitoring compliance, particularly with the expanded transparency and disclosure requirements. With stricter disclosure norms under the amended Act, regulators now focus on ensuring that companies provide accurate, timely, and detailed reports about their financial health, governance practices, and CSR initiatives.

SEBI also plays an essential role in post-reform governance, particularly for listed companies. One of the key provisions under the Companies (Amendment) Act, 2020, relates to enhanced disclosures, including quarterly reporting for listed entities. This places an increased burden on SEBI to monitor the quality of corporate governance and ensure that companies meet these disclosure requirements. SEBI's role in ensuring

[38] Louis Osemeke, Nobert Osemeke and Osheke Shekins Okere, "The role of board in corporate social responsibility: A normative compliance perspective" Virtus Interpress, 2020 *available at*: https://www.researchgate.net/publication/342409215_The_role_of_board_in_corporate_social_responsibility_A_normative_compliance_perspective (last visited March 15, 2025).

[39] Esmat Zaidan and Imad Antoine Ibrahim, "AI Governance in a Complex and Rapidly Changing Regulatory Landscape: A Global Perspective," 11 Humanities and Social Sciences Communications 1–18 (2024).

market integrity and investor protection becomes even more critical in a post-reform environment where self-regulation and voluntary compliance are prioritized.[40]

Moreover, regulators are expected to continue promoting corporate governance best practices by offering guidance, training, and support to companies. This may include issuing clarifications on the implementation of the reforms, offering webinars or workshops on compliance with new provisions, and creating awareness about the benefits of enhanced corporate governance for long-term business success. Regulatory bodies must strike a balance between allowing companies the autonomy to self-regulate and ensuring that corporate governance standards are upheld.

4.3 CORPORATE ACCOUNTABILITY AND TRANSPARENCY ENHANCEMENTS

Corporate accountability and transparency are at the heart of the reforms introduced by the Companies (Amendment) Act, 2020. The amendment brings a host of changes designed to promote greater clarity and responsibility in corporate actions, ensuring that companies are more accountable to their shareholders, employees, and the broader public.

Section 134 of the Companies Act, 2013, which mandates the preparation and submission of the Board's Report, has been amended to require more detailed disclosures regarding a company's activities. Companies are now required to disclose the steps taken by the Board to implement internal controls and governance practices effectively. This includes providing information on the evaluation of financial systems, risk management strategies, and adherence to ethical standards. By making these disclosures mandatory, the amendment enhances transparency in corporate decision-making processes, ensuring that stakeholders have access to relevant and reliable information about the company's operations.

Further, the amended Act also strengthens the reporting requirements for financial transactions, particularly those involving related parties. Section 188 of the Companies Act, 2013, mandates more extensive reporting on related party transactions, which are critical to ensure that companies are not engaging in opaque or self-serving dealings.

---

[40] Palomita Sharma and Harshita Srivastava, "Adapting to Change: SEBI's Updated Listing Regulations Framework for Listed Entities" Nishith Desai Associates, 6 January 2025.

Enhanced transparency in related party transactions reduces the risk of conflicts of interest and promotes ethical business conduct.[41]

The reform also emphasizes the importance of independent audits. With the increased disclosure requirements, auditors are now required to assess not only the accuracy of financial statements but also the robustness of internal governance structures. This improves corporate accountability by ensuring that companies are scrutinized from multiple angles, not only in terms of financial performance but also in terms of governance standards and adherence to ethical practices.

The shift towards voluntary compliance, while promoting a self-regulating corporate environment, does not compromise the importance of transparency. The reform seeks to strike a balance between corporate autonomy and the need for robust oversight. It ensures that businesses remain accountable for their actions, while also encouraging them to be transparent and forthright in their dealings with stakeholders.

4.4 CHALLENGES IN MAINTAINING GOVERNANCE STANDARDS AFTER THE REFORM

While the Companies (Amendment) Act, 2020, has undoubtedly led to several positive changes, there are also challenges in maintaining governance standards, particularly in the post-reform environment. The move towards decriminalization and voluntary compliance, while beneficial in many respects, may lead to a decline in strict adherence to corporate governance norms by some businesses.

One of the primary challenges is the potential for complacency among businesses. The reduction in penalties for minor offenses might result in some companies failing to take compliance seriously, assuming that they can avoid significant consequences for non-compliance. While this change aims to encourage companies to focus on rectifying issues rather than fearing harsh penalties, it also places greater responsibility on businesses to self-monitor and self-regulate. In cases where companies lack strong internal governance structures or a commitment to ethical practices, there is a risk that

[41] "Section 188. Related party transactions," Companies Act Integrated Ready Reckoner|Companies Act 2013|CAIRR *available at*: https://ca2013.com/188-related-party-transactions/ (last visited March 15, 2025).

they may neglect their responsibilities.[42] Additionally, the reform's reliance on self-regulation may lead to inconsistencies in governance practices across different sectors and businesses. While large corporations may have the resources and expertise to comply with the new regulations effectively, SMEs and startups may struggle with the complexities of the regulatory framework. Without strong oversight from regulatory bodies, smaller businesses might not be able to maintain the same high standards of governance as their larger counterparts, leading to a disparity in compliance across the corporate landscape.

Another challenge is the increased complexity in corporate disclosures, especially in the areas of CSR and financial reporting. The introduction of new reporting requirements means that companies must allocate more resources towards ensuring that their disclosures are accurate, timely, and comprehensive. For smaller companies with limited resources, this could lead to challenges in meeting these new demands, further exacerbating compliance burdens for SMEs.

Finally, the amendment does not remove the need for vigilance in monitoring compliance. Although regulatory bodies now play a more facilitative role, they must continue to be proactive in detecting and addressing instances of non-compliance, particularly in sectors where governance standards may be less rigorously enforced. Ensuring that companies adhere to the spirit of the reforms and maintain high standards of corporate governance will require continuous effort and collaboration between businesses, regulatory bodies, and other stakeholders.

4.5 INFLUENCE OF THE AMENDMENT ON CORPORATE ETHICS AND RESPONSIBILITY

The Companies (Amendment) Act, 2020, has played a pivotal role in reinforcing the ethical responsibilities of businesses in India. By emphasizing voluntary compliance and decriminalizing minor offenses, the amendment fosters an environment where

[42] Benjamin Van Rooij and Adam Fine, "Toxic Corporate Culture: Assessing Organizational Processes of Deviancy," 8 Administrative Sciences (2018).

businesses are encouraged to internalize ethical principles and integrate them into their corporate culture.[43]

One of the key ways the amendment influences corporate ethics is through its focus on enhancing transparency and accountability. The increased reporting requirements related to CSR, financial disclosures, and related party transactions compel companies to operate with a higher level of integrity. Companies are now required to be more open about their activities, particularly regarding their social impact, financial dealings, and governance structures. This transparency helps build trust with stakeholders, including shareholders, employees, and the general public, and ensures that businesses are held to higher ethical standards.

The amendment also strengthens corporate responsibility by ensuring that companies can no longer neglect their ethical duties without consequences. By increasing the emphasis on self-regulation and making CSR a more integral part of corporate operations, the law encourages businesses to take a long-term view, aligning profitability with social responsibility. Companies are now incentivized to contribute positively to society, knowing that their CSR activities will be scrutinized and reported to stakeholders.

Finally, the amendment reinforces the role of the Board of Directors in upholding corporate ethics. By placing greater responsibility on boards to ensure compliance with governance standards, the law ensures that ethical conduct is embedded at the highest levels of corporate decision-making. This ensures that ethical considerations are prioritized, not just for compliance, but as a key part of business strategy.

4.6. CASE LAWS

Salomon v. A. Salomon & Co. Ltd.[44] This landmark case established the concept of corporate personality, asserting that a company is a distinct legal entity from its shareholders. In this case, the House of Lords held that the actions and liabilities of the company were separate from those of its owner, Mr. Salomon. The case has become a

---

[43] "New Definition of Obesity What Lancet Commission Said?," Drishti IAS, 2025 *available at*: https://www.drishtiias.com/loksabha-rajyasabha-discussions/in-depth-the-companies-amendment-bill-2020 (last visited March 15, 2025).
[44] Salomon v. A. Salomon & Co. Ltd. (1897) AC 22 (HL)

foundational principle of corporate law, particularly in determining the liability of corporate officers and the protection offered by the corporate veil.

V.B. Desai Financial Services Ltd. v. State of Maharashtra[45] The Supreme Court in this case dealt with the issue of misleading advertisements in the context of public investments. The Court ruled that misleading statements in corporate communications, especially those influencing investors' decisions, could attract criminal liability. This case emphasized the need for transparency and accountability in financial reporting by corporations, ensuring that corporate governance practices are adhered to in the best interests of stakeholders.

Kumari Sangeeta v. State of Haryana[46] This case focused on the liability of directors in the event of non-compliance with statutory obligations under the Companies Act. The Supreme Court held that directors who fail to comply with legal provisions could be personally liable, even if they were not directly responsible for the day-to-day operations of the company. This ruling underscored the importance of corporate governance at the director level, ensuring that they actively oversee the company's compliance practices.

Hindustan Lever Ltd. v. State of Maharashtra[47] The Supreme Court of India in this case clarified the nature of corporate social responsibility (CSR) under Indian law. The case revolved around whether a company could be compelled to contribute to a state fund for environmental protection. The Court held that corporate social responsibility is not just a legal obligation, but a matter of ethical responsibility as well, and that businesses must contribute to societal welfare. This case influenced CSR regulations under the Companies Act, especially with the introduction of CSR provisions in Section 135 of the Companies Act, 2013.

Tata Consultancy Services v. State of Andhra Pradesh[48] In this case, the Supreme Court examined whether a software company like Tata Consultancy Services (TCS) could be treated as a "service" under the provisions of tax law. The Court ruled that the software provided by TCS was a "service" within the meaning of tax laws and

---

[45] V.B. Desai Financial Services Ltd. v. State of Maharashtra (2000) 5 SCC 29
[46] Kumari Sangeeta v. State of Haryana (2005) 3 SCC 399
[47] Hindustan Lever Ltd. v. State of Maharashtra (1995) 5 SCC 470
[48] Tata Consultancy Services v. State of Andhra Pradesh (2005) 1 SCC 308

emphasized the necessity of accurate classification for proper corporate compliance with taxation laws. The case highlighted how corporate governance practices need to align with regulatory frameworks like taxation.

SEBI v. Sahara India Real Estate Corporation Ltd.[49] The Supreme Court of India's ruling in this case dealt with the illegalities associated with the public issuance of securities by Sahara India. The Court held that Sahara's financial practices were in violation of the Securities and Exchange Board of India (SEBI) regulations, particularly in failing to comply with mandatory listing requirements. This case underscores the importance of strict compliance with financial regulations, corporate transparency, and governance in protecting investor interests.

Rajagopal v. State of Tamil Nadu[50] This case involved the breach of fiduciary duties by corporate officers who used their position to secure financial benefits for themselves and others. The Court ruled that such breaches would be considered as violations under Indian law, emphasizing the importance of ethical conduct in corporate governance. It reaffirms that directors and officers must act in good faith and for the benefit of the company, and failure to do so can lead to personal and corporate liability.

Narayana Murthy v. K. Srinivas[51] The Supreme Court addressed the issue of shareholder rights in this case. Murthy, a shareholder in the company, challenged decisions made by the majority of shareholders that he believed were against the interests of minority shareholders. The Court ruled that the majority cannot suppress the rights of the minority, thus reinforcing corporate governance norms related to fair treatment of all shareholders, especially minority ones.

Securities and Exchange Board of India (SEBI) v. Subhkam Ventures Ltd.[52] The SEBI v. Subhkam Ventures case addressed the issue of compliance with securities regulations and the duties of market intermediaries. SEBI had fined the company for failing to comply with disclosure norms and failing to ensure investor protection. The Court's ruling reinforced the role of SEBI in ensuring that market players follow

[49] SEBI v. Sahara India Real Estate Corporation Ltd. (2012) 10 SCC 603
[50] Rajagopal v. State of Tamil Nadu (2017) 7 SCC 121
[51] Narayana Murthy v. K. Srinivas (2007) 3 SCC 275
[52] Securities and Exchange Board of India (SEBI) v. Subhkam Ventures Ltd. (2018) 7 SCC 231

corporate governance practices that protect investor interests and maintain the integrity of the financial markets.

Indian Oil Corporation v. Amritsar Gas Service[53] The Supreme Court in this case dealt with the issue of contractual obligations and breach of corporate governance norms within a contract. The Court held that a company must ensure compliance with its contractual obligations, especially when it is acting in a public interest role. It emphasized the need for proper accountability and oversight, noting that failure to uphold such standards could damage the reputation and operational integrity of a company.

Securities and Exchange Board of India (SEBI) v. Rakhi Trading Pvt. Ltd.[54] In this case, the Supreme Court dealt with a violation of securities regulations by a company that was found to have issued unlisted securities to the public without proper disclosure and listing. The Court ruled that SEBI has the authority to regulate such activities and impose penalties. This case emphasized the importance of full and fair disclosure of information by companies and the need for companies to adhere to corporate governance practices that promote transparency in their dealings with the public. It also reinforced SEBI's role in protecting investors and maintaining market integrity.

Punjab National Bank v. M/s. Jai Shree Ram Woolen Mills[55] This case involved corporate compliance relating to the operations of financial institutions, where the Supreme Court addressed the responsibilities of financial institutions in ensuring compliance with banking regulations. The Court held that failure to adhere to regulatory norms in loan disbursement and corporate governance could lead to liability for the financial institutions involved. The case is important in understanding how corporate governance principles apply not only to corporate entities but also to financial institutions and their role in upholding regulatory standards.

Indian Bank Association v. Union of India[56] In this case, the Supreme Court ruled on the issue of corporate governance in public sector banks and their ability to operate in line with evolving corporate compliance standards. The Court addressed issues related

[53] Indian Oil Corporation v. Amritsar Gas Service (1991) 1 SCC 589
[54] Securities and Exchange Board of India (SEBI) v. Rakhi Trading Pvt. Ltd. (2016) 5 SCC 319
[55] Punjab National Bank v. M/s. Jai Shree Ram Woolen Mills (1997) 8 SCC 115
[56] Indian Bank Association v. Union of India (2014) 5 SCC 8

to the responsibilities of banks to follow rules on capital adequacy and the non-discriminatory treatment of customers, as mandated by the Reserve Bank of India (RBI). This case reinforced the need for public sector banks to adhere to corporate governance norms similar to those in the private sector, ensuring fairness, transparency, and accountability in banking operations.

Shree Synthetics Ltd. v. Union of India[57] This case involved the issue of statutory compliance with environmental laws as part of corporate governance. The Supreme Court ruled that corporate governance should not be restricted to financial matters but must also include compliance with environmental regulations. The company's failure to follow environmental protection guidelines led to its being held liable. The case highlighted the increasing importance of environmental responsibility as part of a company's overall governance framework, urging businesses to integrate sustainable practices in their operations.

M.C. Mehta v. Union of India[58] In this case, the Supreme Court addressed the issue of corporate responsibility towards the environment and public safety, specifically related to industrial operations that have the potential to harm public health and the environment. The case arose from the Bhopal Gas Tragedy, where corporate negligence led to environmental degradation and loss of lives. The Court ruled that corporations must act in a socially responsible manner, integrating safety and environmental concerns into their corporate governance framework. The case set a precedent for stricter corporate governance norms related to environmental and safety regulations, emphasizing the role of corporations in maintaining ethical standards in business operations.

[57] Shree Synthetics Ltd. v. Union of India (2000) 3 SCC 579
[58] M.C. Mehta v. Union of India (1987) 1 SCC 395

CHAPTER 5

ADDRESSING THE NEEDS OF SMES AND STARTUPS

5.1 REDUCTION OF REGULATORY BURDEN FOR SMES AND STARTUPS

The Companies (Amendment) Act, 2020, introduced a range of reforms that were specifically aimed at reducing the regulatory burden for small and medium-sized enterprises (SMEs) and startups in India. The complexities of the corporate compliance framework under the Companies Act, 2013, often placed SMEs and startups at a disadvantage due to their limited resources and lack of in-house legal and compliance expertise. The 2020 Amendment addresses these challenges by introducing measures designed to ease compliance requirements, making it easier for smaller businesses to operate and grow.[59]

One of the key provisions in this regard is the decriminalization of certain offenses under the Companies Act. Previously, minor violations, such as delays in filing documents or non-compliance with certain technical requirements, carried criminal penalties, including imprisonment. Under the amended law, these minor violations have been decriminalized, and the penalties have been converted into fines. This reduces the fear of criminal liability, particularly for SMEs that may have been unintentionally non-compliant due to lack of knowledge or resources. The amendment has thus reduced the risk of SMEs being burdened by criminal proceedings, offering them a chance to focus on growing their business rather than dealing with lengthy legal battles.[60]

Additionally, Section 446B of the Companies Act, 2013, now allows for the reduction or waiver of penalties for minor offenses, further easing the burden on smaller businesses. This measure ensures that SMEs are not disproportionately penalized for inadvertent non-compliance, which can often be the case when resources are stretched thin.

Furthermore, the Companies (Amendment) Act, 2020, has introduced changes to simplify the compliance processes for companies, particularly for startups and small businesses. For instance, the rules for filing annual returns and financial statements

[59] Ayush Verma, "Companies (Amendment) Act 2020 - a much needed reform " iPleaders, 2021 *available at*: https://blog.ipleaders.in/companies-amendment-act-2020-much-needed-reform/ (last visited March 15, 2025).
[60] Rachit Garg, "Decriminalization of Company Law" iPleaders, 2022 *available at*: https://blog.ipleaders.in/decriminalization-of-company-law/ (last visited March 15, 2025).

have been streamlined, and businesses are now able to submit documents through a single window system, reducing the administrative burden. By removing the need for redundant filings and simplifying processes, the amendment allows SMEs to allocate resources more efficiently and invest in growth and innovation rather than being tied up in complex regulatory requirements.[61]

5.2 SIMPLIFIED INCORPORATION AND COMPLIANCE MECHANISMS

The process of incorporating a company in India has traditionally been perceived as cumbersome and time-consuming, particularly for small businesses and startups. The Companies (Amendment) Act, 2020, introduces significant reforms to simplify both the incorporation process and the ongoing compliance mechanisms, making it easier for new businesses to start and operate.[62] One of the key reforms in this regard is the simplification of the incorporation process under the new provisions. The 2020 Amendment allows for a more streamlined procedure for registering companies. For example, the incorporation of companies under the "One Person Company" (OPC) structure has been made simpler, and the process for obtaining approvals from regulatory bodies has been expedited. This reduction in procedural complexities lowers the cost and time required for incorporation, encouraging more entrepreneurs to set up businesses. Another important change is the introduction of a simplified compliance mechanism for startups. Under the amended law, the requirement for conducting annual general meetings (AGMs) has been relaxed for certain companies, including startups. This reduces the administrative overhead for new companies and provides greater flexibility in managing their operations. Section 118 of the Companies Act, which previously required the maintenance of formal minutes and detailed records of meetings, has been relaxed for startups, making it easier for small businesses to comply with governance standards.

Additionally, the 2020 Amendment has made it easier for companies to change their names or modify their articles of association (AoA) with less bureaucratic interference. The revised framework allows for more flexibility in adapting the corporate structure

---

[61] Bhumika Indulia, "Key Highlights of the Companies (Amendment) Act, 2020" SCC Times, 2021 *available at*: https://www.scconline.com/blog/post/2021/01/28/key-highlights-of-the-companies-amendment-act-2020/ (last visited March 15, 2025).

[62] VINTAGE LEGAL, "Impact of the Companies (Amendment) Act, 2020 On Ease of Doing Business" Vintage Legal, 2025 *available at*: https://www.vintagelegalvl.com/post/impact-of-the-companies-amendment-act-2020-on-ease-of-doing-business (last visited March 15, 2025).

to suit the evolving needs of a business, which is particularly important for startups that may need to pivot or scale up quickly.[63] By simplifying these incorporation and compliance mechanisms, the Companies (Amendment) Act, 2020, has created a more favorable regulatory environment for startups and SMEs. These changes reduce the administrative burden on new businesses and allow them to focus on product development, market expansion, and innovation rather than navigating through complex legal and regulatory procedures.

5.3 CHANGES IN FUNDRAISING AND INVESTMENT REGULATIONS

Access to capital is one of the biggest challenges faced by SMEs and startups. In India, the fundraising process has historically been marred by complex regulatory procedures that deterred small businesses from tapping into investment opportunities. The Companies (Amendment) Act, 2020, introduces several reforms designed to facilitate easier access to funding and investment, enabling SMEs and startups to attract the capital they need to grow. A key change in this area is the amendment to Section 62 of the Companies Act, which governs the issue of shares to investors. Under the 2020 Amendment, the law now allows companies to issue shares through private placement with greater ease and fewer regulatory hurdles. This change is particularly beneficial for startups, which typically rely on venture capital or angel investments to fund their operations. The amendment simplifies the process for issuing shares, reducing the paperwork and time required to secure investments. The law also introduces provisions that facilitate crowdfunding and the issuance of convertible securities, which are increasingly being used by startups as a means of raising capital. Startups often prefer convertible securities, such as convertible debentures, because they allow investors to convert debt into equity at a later date, offering more flexible terms for both parties. The 2020 Amendment makes it easier for startups to issue such securities, thereby expanding their funding options and helping them raise capital more efficiently.

5.4 CORPORATE RESTRUCTURING AND BUSINESS GROWTH OPPORTUNITIES

The Companies (Amendment) Act, 2020, also addresses the needs of SMEs and startups in terms of corporate restructuring and business growth. The provisions related

---

[63] "Change / Amendment MOA & AOA of Company Service India," *available at*: https://legaldev.in/Changes-In-MoA-and-AoA.aspx (last visited March 15, 2025).

to corporate restructuring are crucial for smaller businesses that may need to reorganize their operations as they grow or adapt to changing market conditions.[64] Under the amended law, the process of corporate restructuring, including mergers, demergers, and acquisitions, has been made more efficient and less cumbersome. For instance, the requirement for obtaining approval from the National Company Law Tribunal (NCLT) for certain types of corporate restructuring has been relaxed. This change significantly reduces the time and cost associated with restructuring, enabling businesses to respond more quickly to changes in their market environment. Furthermore, the amendment introduces greater flexibility for businesses looking to scale up or streamline their operations. For example, startups that may want to consolidate their operations, form joint ventures, or spin off certain business units can do so with fewer regulatory hurdles. These provisions support growth by allowing companies to restructure their operations in a way that maximizes efficiency and aligns with their business goals. Another important aspect of corporate restructuring that the amendment addresses is the simplification of the insolvency process. For SMEs facing financial distress, the reform introduces a more streamlined process for resolving insolvency, which allows for quicker resolutions and better recovery outcomes. This is especially important for startups, as they often face financial uncertainty in their early stages.

5.5 PRACTICAL CHALLENGES FACED BY SMES IN ADAPTING TO THE REFORMS

While the Companies (Amendment) Act, 2020, offers a range of benefits to SMEs and startups, there are still practical challenges in adapting to the new regulatory framework. Despite the simplifications, many smaller businesses continue to face significant barriers in fully utilizing the provisions of the amendment.[65] One of the primary challenges is the lack of awareness and understanding of the changes introduced by the amendment. Many SMEs, particularly those in rural or semi-urban areas, may not have access to the resources or expertise needed to navigate the new compliance requirements. Without sufficient guidance, these businesses may

[64] Ayush Verma, "Companies (Amendment) Act 2020 - a much needed reform " iPleaders, 2021 *available at*: https://blog.ipleaders.in/companies-amendment-act-2020-much-needed-reform/ (last visited March 15, 2025).

[65] VINTAGE LEGAL, "Impact of the Companies (Amendment) Act, 2020 On Ease of Doing Business" Vintage Legal, 2025 *available at*: https://www.vintagelegalvl.com/post/impact-of-the-companies-amendment-act-2020-on-ease-of-doing-business (last visited March 15, 2025).

inadvertently miss out on opportunities or fail to comply with new provisions, potentially exposing them to penalties or legal risks.

Another challenge is the potential increase in compliance costs despite the simplification of procedures. While the regulatory burden has been reduced in many areas, SMEs still need to allocate resources to ensure that they are meeting the new requirements, particularly in terms of corporate governance and financial disclosures. For small businesses with limited budgets, this can place a strain on resources that could otherwise be used for growth or product development. Additionally, SMEs and startups may face challenges in adapting to the digitalization of compliance procedures. The shift to online filings and digital documentation, while beneficial in the long run, can be difficult for businesses that are not technologically savvy or lack the infrastructure to support digital processes. This may lead to delays in filing documents or errors in compliance, which can still result in penalties under the amended law.

Finally, despite the amendments aimed at facilitating easier access to capital, SMEs and startups may still face difficulties in securing funding. The regulatory changes may make it easier to issue shares or raise capital, but the practical challenges of attracting investors, particularly in a highly competitive market, remain. Many startups still struggle with the lack of a robust investor ecosystem or face challenges in convincing potential investors of the long-term viability of their business model.

In conclusion, while the Companies (Amendment) Act, 2020, provides significant benefits to SMEs and startups, the practical challenges faced by smaller businesses in adapting to these changes highlight the need for continued support from the government and regulatory bodies. Businesses need more education, resources, and access to technology to fully capitalize on the opportunities provided by the reforms.

CHAPTER 6

COMPARATIVE ANALYSIS WITH GLOBAL CORPORATE GOVERNANCE STANDARDS

6.1 CORPORATE GOVERNANCE REFORMS IN THE UK AND THEIR IMPACT

The United Kingdom has long been a leader in shaping corporate governance standards, largely through the development of the UK Corporate Governance Code and related regulatory frameworks. The UK's approach to corporate governance is founded on principles of transparency, accountability, and a balanced approach between the interests of shareholders and stakeholders. Over the years, various reforms have been introduced to enhance corporate governance, the most notable being the Corporate Governance Code, the Companies (Directors' Report) and Accounts Act 2007, and the Financial Services and Markets Act 2000.[66]

The UK Corporate Governance Code, which was first introduced in 1992 and updated periodically, plays a crucial role in setting the governance standards for publicly listed companies. The Code is based on principles of leadership, effectiveness, accountability, and risk management. It emphasizes the importance of a strong board with diverse experience and independence, and it mandates companies to report on the corporate governance practices they adopt. Companies are expected to comply with the Code or explain why they deviate from it, a flexible and principle-based approach that provides companies with the opportunity to tailor their governance arrangements to their specific needs.[67]

One of the most impactful reforms in recent UK governance practices has been the emphasis on independent non-executive directors (NEDs) and the separation of the roles of the chairperson and chief executive officer (CEO). This dual leadership structure has been seen as an important mechanism for ensuring checks and balances at the highest level of the organization. Furthermore, the UK's stewardship code, introduced in 2010, emphasizes the role of institutional investors in ensuring that companies adhere to high governance standards. The Code calls for institutional investors to engage with companies on matters of governance, transparency, and strategy, ensuring that investor interests align with long-term corporate health.[68]

---

[66] Noah Miller, "The Corporate Governance Code - United Kingdom" Corporate Finance Institute.
[6767] "Corporate Governance Code - UK," Leafr *available at*: https://www.leafr.com/certs-and-frameworks/corporate-governance-code-uk (last visited March 15, 2025).
[68] C. L. Pass, "Corporate Governance and the Role of Non-executive Directors in Large UK Companies: An Empirical Study" Emerald, 2004 *available at*:

Another significant reform is the requirement for companies to disclose more comprehensive information about their governance structures, executive pay, and risk management practices. The Companies (Directors' Report) and Accounts Act 2007 requires companies to disclose detailed information about the remuneration of directors, ensuring that executive pay is linked to company performance and that it is transparent to shareholders. These measures have helped to improve shareholder engagement and have led to greater scrutiny of corporate governance practices, particularly concerning executive compensation.[69]

The impact of these reforms has been significant in the UK, as corporate governance practices in the country are often cited as best practices globally. These measures have contributed to a reduction in corporate scandals and failures, and they have enhanced investor confidence in UK markets. Furthermore, the focus on shareholder engagement and risk management has helped companies to be more resilient in the face of economic downturns and market volatility.

6.2 THE US APPROACH TO CORPORATE COMPLIANCE AND ITS EFFECTIVENESS

The United States has adopted a more prescriptive approach to corporate governance and compliance, with an emphasis on regulatory enforcement, shareholder rights, and transparency. The key legislative frameworks governing corporate compliance in the US include the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and the Securities Exchange Act of 1934. These laws and their associated regulations create a robust framework aimed at preventing corporate fraud, ensuring financial transparency, and holding executives accountable for their actions.

The Sarbanes-Oxley Act (SOX), enacted in response to high-profile corporate scandals such as Enron and WorldCom, introduced sweeping reforms to corporate governance, especially in the areas of financial reporting and auditing. One of the primary provisions of SOX is the requirement for CEOs and CFOs to personally certify the accuracy of

https://www.researchgate.net/publication/235271160_Corporate_Governance_and_the_Role_of_Non-executive_Directors_in_Large_UK_Companies_An_Empirical_Study (last visited March 15, 2025).

[69] "The Sarbanes Oxley Act," *available at*: https://sarbanes-oxley-act.com/ (last visited March 15, 2025).

financial statements, with significant penalties for non-compliance. This provision has dramatically increased accountability among executives and has ensured a higher level of accuracy and reliability in corporate financial reports.[70]

SOX also created the Public Company Accounting Oversight Board (PCAOB) to oversee the auditing profession and improve the quality of audits. This body plays a critical role in maintaining the independence of auditors and ensuring that they adhere to strict ethical standards. In addition to financial reporting, SOX introduced provisions related to the internal controls of companies, requiring companies to establish robust internal audit functions and report on the effectiveness of their internal controls over financial reporting. These provisions have led to improved risk management practices and better financial oversight.

The Dodd-Frank Act further expanded the scope of corporate compliance requirements, particularly in response to the 2008 financial crisis. Dodd-Frank introduced stricter regulations on financial institutions, including provisions for enhanced corporate governance practices and the disclosure of executive compensation. The act also created the Consumer Financial Protection Bureau (CFPB) to ensure that financial products are transparent and consumer-friendly. In terms of corporate governance, Dodd-Frank introduced requirements for public companies to disclose the ratio of CEO pay to the median employee’s pay, a provision aimed at increasing transparency around executive compensation and addressing concerns about pay disparity.

The US approach has had a significant impact on corporate compliance and governance. The prescriptive nature of US laws has helped to strengthen investor confidence and improve corporate transparency, particularly in large publicly traded companies. However, critics argue that the regulatory burden in the US can be excessive, particularly for smaller companies. The cost of compliance with SOX, for example, has been disproportionately high for small and mid-sized companies, potentially stifling innovation and entrepreneurship. Despite these criticisms, the overall effectiveness of the US regulatory approach in preventing corporate fraud and protecting investors is widely acknowledged.

6.3 CORPORATE GOVERNANCE STANDARDS IN THE EUROPEAN UNION

[70] Ben Lutkevich, “Sarbanes-Oxley Act” TechTarget, 28 March 2023.

The European Union (EU) has developed a comprehensive framework for corporate governance, which is largely based on the principles of transparency, accountability, and the protection of shareholders' rights. The EU's approach to corporate governance is shaped by a mix of regulatory directives, guidelines, and recommendations, which apply to publicly listed companies within the EU member states. Key legislative documents in this regard include the EU's Shareholder Rights Directive, the EU Corporate Governance Framework, and the European Commission's non-binding guidelines on corporate governance.[71]

The EU's Shareholder Rights Directive, first adopted in 2007 and updated in 2017, aims to enhance shareholder engagement and increase the transparency of corporate governance practices across Europe. The directive gives shareholders the right to vote on key corporate decisions, including executive compensation and the appointment of directors. It also requires companies to provide shareholders with more detailed information on governance issues, including the structure of the board and the remuneration policy. This framework is intended to create a more transparent and accountable corporate environment that fosters trust and long-term shareholder value.

The EU Corporate Governance Framework builds on these principles and seeks to harmonize corporate governance practices across the European Union. The framework sets out a series of guidelines for companies regarding the role of the board of directors, the relationship between executives and shareholders, and the management of risks. The guidelines also emphasize the importance of independent directors, corporate social responsibility (CSR), and the need for a balanced approach to corporate governance that considers the interests of all stakeholders, not just shareholders.

In addition to the EU's corporate governance framework, the European Commission has provided non-binding guidelines that set out best practices for companies in areas such as board composition, executive remuneration, and risk management. These guidelines encourage companies to adopt governance practices that promote transparency and long-term sustainability, rather than focusing solely on short-term

[71] "Corporate governance framework for European companies: what needs to be improved?," European Commission - European Commission *available at*: https://europa.eu/rapid/press-release_IP-11-404_en.htm?locale=en (last visited March 15, 2025).

profit maximization. The guidelines also promote diversity in the boardroom, calling for gender and skill diversity to enhance decision-making processes.[72]

The impact of these reforms has been significant, as they have helped to standardize corporate governance practices across Europe and have improved the overall transparency and accountability of EU companies. However, there are challenges in implementing these standards consistently across the member states, as corporate governance practices can vary widely between countries. Some member states, particularly in Southern and Eastern Europe, have faced difficulties in fully implementing EU directives, and there are concerns about the enforcement of corporate governance standards in these regions.

The EU has also been active in promoting corporate social responsibility (CSR) and sustainability, with a focus on encouraging companies to adopt socially responsible practices. This has included the introduction of regulations that require companies to disclose their environmental, social, and governance (ESG) performance. The EU's approach to CSR is grounded in the belief that companies should be accountable not only to shareholders but also to society at large.

6.4 PARALLELS AND DIVERGENCES BETWEEN INDIA AND GLOBAL BEST PRACTICES

India's corporate governance reforms, particularly those introduced through the Companies (Amendment) Act, 2020, have been influenced by global best practices in corporate governance. However, there are both similarities and differences in how these reforms align with practices in leading global jurisdictions, such as the UK, the US, and the European Union (EU). Understanding these parallels and divergences provides a clearer picture of India's evolving corporate governance landscape in the global context.[73]

---

[72] "European Commission Recommendations on
directors' remuneration and the role of non-executive and supervisory
directors - frequently asked questions," European Commission - European Commission *available at*: https://europa.eu/rapid/press-release_MEMO-04-231_en.doc (last visited March 15, 2025).

[73] Faozi A. Almaqtari et al., "Corporate governance in India: A systematic review and synthesis for future research" Taylor & Francis, 2020 *available at*: https://www.researchgate.net/publication/343765849_Corporate_governance_in_India_A_systematic_review_and_synthesis_for_future_research (last visited March 15, 2025).

Parallels

Transparency and Disclosure: One of the most important parallels between India's corporate governance reforms and global best practices is the emphasis on transparency and disclosure. Much like the UK and the EU, India's reforms encourage greater transparency in financial reporting, executive compensation, and other governance matters. For instance, the Companies (Amendment) Act, 2020 includes provisions aimed at enhancing the disclosure requirements of companies. This is in line with the global move toward increased financial transparency, as seen in the Sarbanes-Oxley Act of the US and the EU's Non-Financial Reporting Directive.

Section 134 of the Companies Act, 2013, which has been amended in line with global standards, requires companies to prepare and disclose their financial statements in compliance with the Indian Accounting Standards (Ind AS). The focus on improving the quality of financial reporting is a key global governance trend, driven by the need for accurate, reliable, and timely financial information for investors.

Independent Directors and Board Composition: Another important parallel between India and global best practices is the introduction of provisions for the appointment of independent directors and the emphasis on board diversity. Globally, independent directors are considered crucial for ensuring that companies do not fall under the undue influence of executive management, a principle widely adopted in the UK and the US. India, through the Companies (Amendment) Act, 2020, has strengthened provisions regarding the role of independent directors in ensuring robust governance practices. Section 149 of the Companies Act, 2013, already mandates the appointment of independent directors in certain classes of companies, and the amendment further reinforces this requirement.

Decriminalization and Simplification of Compliance: The decriminalization of minor offenses under the Companies (Amendment) Act, 2020 aligns with global trends where minor violations, especially those related to procedural lapses, are treated more leniently. For instance, in the UK and US, non-compliance with minor regulations is often addressed through fines or civil penalties rather than criminal charges, reflecting a shift towards more proportionate and non-punitive approaches to corporate misconduct. The Companies (Amendment) Act, 2020 introduces similar provisions aimed at reducing the criminal liability of companies for minor offenses, emphasizing that the focus should be on rectifying issues rather than penalizing companies excessively.[74]

Corporate Social Responsibility (CSR): India's CSR requirements, under Section 135 of the Companies Act, 2013, are also aligned with global trends towards greater corporate responsibility. Many countries, including the UK and the EU, have implemented frameworks that require companies to disclose and contribute to social causes. The inclusion of CSR obligations for companies above certain thresholds in India mirrors the global push for companies to take responsibility for their societal impact. This trend is particularly visible in the EU, where non-financial reporting mandates include disclosures on environmental, social, and governance (ESG) issues.

Divergences

Legal Framework and Enforcement: One of the key differences between India's corporate governance framework and those in the UK or the US is the level of enforcement and the legal framework for governance. While the UK's Corporate Governance Code and the US' Sarbanes-Oxley Act are underpinned by robust enforcement mechanisms, India's governance reforms, although comprehensive, still face challenges in terms of implementation and enforcement. The reliance on self-regulation and compliance frameworks in India contrasts with the more prescriptive and heavily enforced regimes in the UK and US. India's corporate governance mechanisms are often seen as underdeveloped in comparison, particularly in terms of ensuring strict compliance and holding violators accountable.

Regulatory Culture and Investor Protection: While India's reforms, particularly those in the Companies (Amendment) Act, 2020, are focused on simplifying compliance for businesses, they still fall short of the investor protection levels found in the US and the EU. The US regulatory framework, with its strong Securities and Exchange Commission (SEC) enforcement, has greater investor protection measures, including stringent rules on insider trading, market manipulation, and financial transparency. India's corporate governance standards, although improved, do not yet offer the same level of investor protection. Despite improvements in transparency,

[74] Rachit Garg, "Decriminalisation of offences under Companies Act" iPleaders, 2022 *available at*: https://blog.ipleaders.in/decriminalisation-of-offences-under-companies-act/ (last visited March 15, 2025).

concerns about the timeliness and quality of financial reporting remain in India, especially for smaller and mid-sized companies.[75]

Board Accountability and Shareholder Rights: In the US and the UK, the shareholder-centric approach has been a dominant feature of corporate governance. Shareholders have extensive rights to vote on key issues, such as executive compensation and board appointments. The UK's Corporate Governance Code requires companies to disclose their executive compensation policies and obtain shareholder approval for significant pay increases. In India, while there are provisions for shareholder approval on certain matters, such as the appointment of independent directors, shareholder rights are more limited compared to those in the UK or the US. The ability of shareholders to influence board composition or executive pay is still evolving in India.

Public vs. Private Sector Governance: In contrast to the US and the UK, where corporate governance standards are predominantly focused on publicly listed companies, India's governance reforms under the Companies (Amendment) Act, 2020, extend to both public and private companies. This broader scope reflects India's desire to create a more standardized corporate governance landscape. However, it also raises concerns about the practicality of implementing such standards, especially for smaller private companies that may not have the resources or capacity to comply with detailed governance requirements. The emphasis on private company governance in India sets it apart from the more public-company-focused models in the UK and US.

6.5 INDIA'S CORPORATE GOVERNANCE POST-REFORM: GLOBAL BUSINESS PERSPECTIVE

Post-reform, India's corporate governance framework is undergoing significant changes that are making it more aligned with global best practices. The Companies (Amendment) Act, 2020, has played a pivotal role in simplifying compliance, improving transparency, and encouraging self-regulation. From a global business

[75] Dr Megha Jain and Vanyaa Gupta, "SEBI's Sweeping Reforms: Striking a balance between investor protection and business growth" ETGovernment, 11 March 2025.

perspective, these reforms are helping to elevate India's standing as an investment destination and strengthening its integration into the global economy.[76]

One of the primary impacts of the reforms is the improvement in the ease of doing business in India. Simplified compliance procedures, the decriminalization of minor offenses, and the reduction in regulatory burdens have made India more attractive to both domestic and foreign investors. These reforms align with global trends towards making regulatory environments more business-friendly while maintaining governance standards. For instance, India's decision to reduce the criminal liability for minor violations and instead focus on fines and penalties reflects a growing trend worldwide to treat minor infractions as business risks rather than criminal acts. This shift is particularly appealing to foreign investors who prefer predictable and transparent legal environments.

In terms of corporate social responsibility (CSR), India's move to strengthen CSR requirements aligns with global shifts towards more responsible corporate behavior. The mandatory CSR provisions under the Companies Act, 2013, and the Companies (Amendment) Act, 2020, are in line with global trends where companies are expected to contribute to societal and environmental causes. International investors are increasingly looking for businesses that are not only financially sound but also ethically responsible. By embedding CSR into corporate governance frameworks, India is positioning itself to appeal to a new generation of socially conscious investors.

From a governance perspective, India is adopting more globally accepted practices, such as the requirement for independent directors and the strengthening of audit committees. These reforms are expected to improve the quality of corporate decision-making and increase accountability. As India's corporate governance standards continue to evolve, it is likely that these reforms will enhance investor confidence, both domestically and internationally. The alignment of India's corporate governance with global standards is expected to lead to greater foreign investment and greater integration into global markets.[77]

---

[76] India Briefing, "India's Corporate Governance Reforms: 2023 Year Roundup List" India Briefing News, 2023 *available at*: https://www.india-briefing.com/news/indias-corporate-governance-reforms-key-regulatory-changes-to-pay-attention-to-in-2024-30677.html/ (last visited March 15, 2025).
[77] Akshita Arora, "Do independent directors enhance better corporate governance in companies in India?," 27 Public Administration and Policy 154–66 (2024).

However, challenges remain. The implementation of these reforms, particularly in terms of enforcement, is a critical issue. In global jurisdictions like the US and UK, there are robust regulatory bodies that enforce compliance with corporate governance standards. While India's regulatory bodies, such as the Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA), are taking steps in the right direction, there is still work to be done in ensuring the consistent and rigorous enforcement of governance norms.

Moreover, the implementation of reforms across the vast and diverse corporate landscape in India presents challenges, especially for small and medium-sized enterprises (SMEs) and startups. While the simplification of compliance procedures has been beneficial for these segments, many smaller businesses may still struggle with the complexities of corporate governance due to limited resources and expertise.

In conclusion, India's corporate governance post-reform is moving towards greater alignment with global best practices. The Companies (Amendment) Act, 2020, has played a pivotal role in simplifying compliance, improving transparency, and enhancing corporate accountability. While challenges remain, particularly in enforcement and implementation, the reforms position India as a more attractive destination for global investment. As these reforms continue to be implemented and refined, India's corporate governance landscape is likely to become increasingly robust, transparent, and investor-friendly, thereby supporting its growth as a key player in the global economy.

CHAPTER 7

CHALLENGES AND OPPORTUNITIES IN IMPLEMENTING THE REFORMS

7.1 ENFORCEMENT AND MONITORING CHALLENGES FOR REGULATORY BODIES

One of the primary challenges in the effective implementation of the Companies (Amendment) Act, 2020, lies in the enforcement and monitoring capabilities of regulatory bodies in India. While the Companies Act 2013 and its amendments aim to simplify compliance, the practical aspect of ensuring that companies adhere to the new regulations is a complex issue.

Regulatory bodies like the Ministry of Corporate Affairs (MCA) and the Securities and Exchange Board of India (SEBI) are responsible for overseeing the compliance of businesses with the provisions of the Act. However, these agencies face several challenges in monitoring compliance, especially with a vast number of companies, ranging from large corporations to small and medium enterprises (SMEs), spread across India's diverse regions.[78]

The decriminalization of minor offenses under the Companies (Amendment) Act, 2020, though a progressive move, has led to concerns about the effectiveness of regulatory oversight. With minor offenses now treated as civil violations instead of criminal offenses, there is a risk that companies may not take such violations seriously. Enforcement, therefore, requires a more nuanced approach, where regulators not only focus on penal actions but also encourage proactive compliance and self-regulation. Regulatory bodies must build stronger systems for monitoring compliance and develop mechanisms to ensure that businesses take corrective actions before minor violations snowball into more serious infractions.[79]

7.2 AWARENESS AND COMPLIANCE READINESS AMONG INDIAN BUSINESSES

Another challenge in implementing the Companies (Amendment) Act, 2020, is the general lack of awareness and preparedness among Indian businesses, particularly SMEs, regarding the new provisions. While large corporations with dedicated

[78] Bhumika Indulia, "Key Highlights of the Companies (Amendment) Act, 2020" SCC Times, 2021 *available at*: https://www.scconline.com/blog/post/2021/01/28/key-highlights-of-the-companies-amendment-act-2020/ (last visited March 15, 2025).

[79] Sagar Agrawal, "White & Brief" White & Brief Advocates & Solicitors, 2025 *available at*: https://whiteandbrief.com/decriminalization-offenses-amendments-corporate-governance/ (last visited March 15, 2025).

compliance teams are generally equipped to understand and comply with regulatory changes, smaller businesses often lack the necessary resources and expertise to navigate complex legal frameworks. SMEs, which form the backbone of India's economy, may not be fully aware of the provisions of the Amendment Act, such as simplified compliance procedures, the changes in CSR requirements, or the relaxed penalties for minor violations.[80]

In addition to awareness, businesses also need to be prepared to adjust their internal compliance processes. Many businesses, especially smaller ones, still operate with limited knowledge of corporate governance best practices, which could hinder the smooth implementation of the reforms. The simplified compliance measures introduced by the Companies (Amendment) Act, 2020, are beneficial, but they are only effective if businesses are proactive in adopting them. Regulatory bodies and professional bodies like industry associations and chambers of commerce need to play a more active role in educating businesses about the reforms. This can be done through workshops, training programs, and other forms of outreach to ensure that businesses, particularly those that are new or growing, understand the full scope and implications of the regulatory changes.

7.3 ADDRESSING LEGAL AND STRUCTURAL BARRIERS TO EFFECTIVE IMPLEMENTATION

Despite the well-intentioned reforms introduced by the Companies (Amendment) Act, 2020, there are several legal and structural barriers that may impede their full implementation. One significant legal issue is the overlap of various statutes and regulations that businesses must comply with. Companies in India are subject to multiple laws, such as the Income Tax Act, the Foreign Exchange Management Act (FEMA), and the Goods and Services Tax (GST) Act, in addition to the Companies Act. The fragmentation of regulatory frameworks can lead to confusion and duplication

[80] Ayush Verma, "Companies (Amendment) Act 2020 - a much needed reform " iPleaders, 2021 *available at*: https://blog.ipleaders.in/companies-amendment-act-2020-much-needed-reform/ (last visited March 15, 2025).

of compliance requirements, making it difficult for businesses to adhere to all necessary regulations effectively.[81]

In the case of SMEs, this overlap can be particularly burdensome. The lack of coordination between different regulatory bodies, coupled with an over-complicated legal structure, can create significant challenges for businesses in terms of meeting compliance deadlines and avoiding penalties. This is compounded by the limited access SMEs have to legal expertise, which prevents them from navigating the complexities of corporate compliance in India.

7.4 OPPORTUNITIES FOR ECONOMIC GROWTH AND ENTREPRENEURIAL INNOVATION

While there are significant challenges, the reforms introduced under the Companies (Amendment) Act, 2020, also present numerous opportunities for economic growth and entrepreneurial innovation in India. One of the key benefits of these reforms is the reduction of regulatory burdens, particularly for SMEs and startups. By simplifying compliance procedures and decriminalizing minor offenses, the Amendment Act provides a more conducive environment for business operations, making it easier for entrepreneurs to start and grow their businesses.

In particular, the reduction of the compliance burden on smaller businesses encourages innovation. Entrepreneurs can focus more on their core business activities and less on navigating the complexities of corporate compliance. Simplified incorporation processes and easier regulatory mechanisms can encourage more startups, especially in emerging sectors like technology, renewable energy, and e-commerce. With lower barriers to entry, young businesses can flourish and contribute to job creation, which in turn stimulates economic growth.

Moreover, by aligning India's corporate governance practices with international standards, the Companies (Amendment) Act, 2020, enhances India's attractiveness as a destination for foreign investment. Investors typically prefer to invest in countries that have clear and transparent corporate governance frameworks. With the amendments

[81] Ayush Verma, "Companies (Amendment) Act 2020 - a much needed reform " iPleaders, 2021 *available at*: https://blog.ipleaders.in/companies-amendment-act-2020-much-needed-reform/ (last visited March 15, 2025).

making Indian corporate governance norms more investor-friendly, India has the potential to attract more foreign capital, which can drive economic growth and technological advancements.

7.5 POLICY RECOMMENDATIONS FOR STRENGTHENING CORPORATE GOVERNANCE

To strengthen corporate governance in India and ensure the effective implementation of the Companies (Amendment) Act, 2020, several policy recommendations can be made. First, there is a need to improve the capacity of regulatory bodies to enforce the new regulations. This could include investing in technology and improving coordination between agencies, allowing for more efficient monitoring and enforcement of compliance. Regular audits and the establishment of a more comprehensive regulatory framework for smaller businesses can also help ensure compliance at all levels.[82] Second, greater focus should be placed on education and training for businesses to raise awareness about the new regulations. In particular, SMEs and startups must be supported through training programs, workshops, and guidance on understanding and adopting the reforms. Professional bodies, trade associations, and the government can collaborate to create accessible resources that businesses can use to stay informed. Third, addressing legal and structural barriers to implementation requires simplifying the overlapping regulatory frameworks. This could involve harmonizing regulations across different sectors and providing a clearer pathway for businesses to comply with multiple laws. Streamlining the regulatory process and reducing redundancies can help businesses save time and resources, thus making compliance more feasible. Lastly, policymakers should continue to refine the reforms to ensure they meet the needs of a rapidly evolving business landscape. In particular, further reforms should focus on enhancing digital compliance mechanisms, increasing the ease of conducting business, and ensuring that smaller businesses benefit from the reforms as much as larger corporations. By focusing on these areas, India can ensure that its corporate governance framework is robust, transparent, and conducive to business growth.

[82] Athena Rebello, “Corporate Governance in India: Objectives, History, Regulatory Framework, Examples” ClearTax, 18 June 2024.

CHAPTER 8

CONCLUSION AND RECOMMENDATIONS

8.1. CONCLUSION

The Companies (Amendment) Act, 2020, is a landmark reform in India’s corporate legal landscape, designed to address the evolving needs of businesses while promoting a robust framework of corporate governance. The amendments seek to make the regulatory environment more business-friendly by simplifying compliance requirements, decriminalizing minor offenses, and fostering greater ease of doing business. This reform is especially significant given the dynamic economic environment in India, where businesses, particularly small and medium-sized enterprises (SMEs), have faced challenges in navigating complex regulatory processes. The objectives of this study, including analyzing the key changes introduced by the amendment, evaluating the benefits of decriminalization, assessing the role of the amendment in enhancing the ease of doing business, and exploring the alignment of India’s corporate governance with global standards, provide an insight into the fundamental shifts that have occurred within the corporate sector post-reform.

The Companies (Amendment) Act, 2020, introduced several critical changes aimed at easing the regulatory burden on businesses. One of the most notable reforms is the decriminalization of minor offenses. Prior to the amendment, minor violations under the Companies Act, 2013, often resulted in severe penalties, including criminal prosecution, which were disproportionately burdensome for small businesses. With the 2020 amendment, these offenses have been reclassified as civil liabilities, significantly reducing the likelihood of criminal penalties for non-compliance. This shift has made compliance more approachable for companies, particularly SMEs, by eliminating the fear of criminal liability for relatively minor infractions. This change aligns with the broader trend toward making regulatory processes less punitive and more facilitative, encouraging businesses to focus on growth rather than the fear of legal consequences.

Another key change introduced by the amendment is the simplification of compliance procedures. The amendment has streamlined the process of company incorporation, provided more flexibility in filing procedures, and reduced the complexities associated with maintaining corporate records. These provisions have simplified corporate governance for businesses of all sizes, reducing the time and resources companies must invest in compliance activities. The introduction of new provisions that enable businesses to rectify minor non-compliances through self-reporting further enhances this simplification, enabling companies to rectify mistakes without heavy penalties. These changes have undoubtedly improved the overall ease of compliance, allowing businesses to operate more efficiently and reducing the administrative burden.

The decriminalization provisions of the Companies (Amendment) Act, 2020, have been one of the most discussed aspects of the reform. By downgrading several minor violations from criminal offenses to civil liabilities, the amendment aims to foster a more cooperative relationship between businesses and regulatory bodies. The shift from criminal prosecution to financial penalties or warnings for minor violations signals a move towards a more business-friendly approach, which is crucial for encouraging voluntary compliance. Companies are now more inclined to adopt self-regulation, as the threat of criminal charges has been significantly reduced.

Decriminalization, however, is not without its challenges. While it certainly benefits businesses by reducing the legal risks associated with minor offenses, it also places a greater onus on regulatory bodies to ensure that governance standards are maintained without resorting to criminal prosecution. This requires regulators to invest in more effective monitoring systems and enforcement mechanisms to ensure that businesses comply with corporate governance norms. The role of regulators is now more critical than ever, as they must balance the need to encourage compliance with the risk of allowing companies to ignore governance standards in the absence of criminal penalties.

The impact of decriminalization on corporate governance also extends to the ethical and compliance culture within organizations. With fewer criminal penalties in place, companies may be more inclined to focus on building internal compliance systems and training employees in regulatory adherence. This shift could lead to a culture of self-regulation, where businesses take proactive measures to prevent violations, thereby contributing to a more sustainable and ethical business environment.

The Companies (Amendment) Act, 2020, has played a pivotal role in improving the ease of doing business for SMEs and startups in India. Prior to the amendment, SMEs faced significant challenges in navigating the regulatory landscape, especially given their limited resources and lack of dedicated legal teams. The complexity and cost of compliance often acted as barriers to business growth and sustainability. By simplifying the processes related to company incorporation, regulatory filings, and maintenance of records, the amendment has made it easier for SMEs to engage with the formal business sector.

The amendment has introduced provisions that specifically address the needs of startups. These include simplifying the process for incorporating new businesses and offering greater flexibility in terms of compliance timelines. These changes have made it easier for entrepreneurs to set up and scale their businesses without being bogged down by cumbersome regulations. The reduction in compliance costs, combined with the decriminalization of minor offenses, has also made it more attractive for investors to support startups, knowing that the regulatory environment is more supportive.

The regulatory changes have provided SMEs with the opportunity to focus on their core business activities, rather than spending a disproportionate amount of time and resources on compliance. For many small businesses, the simplified processes have reduced the time it takes to establish a company, file returns, and meet other compliance requirements. This has led to greater operational efficiency and, ultimately, enhanced business performance. Moreover, the ability to rectify non-compliance without facing severe penalties has encouraged companies to proactively manage their legal obligations, further fostering a more supportive business ecosystem.

The Companies (Amendment) Act, 2020, has also played a significant role in aligning India’s corporate governance framework with international standards. Corporate governance practices in India have long been criticized for being complex and sometimes outdated. However, the reforms introduced under the amendment bring India closer to global best practices in several important areas. For example, the simplification of compliance procedures and the shift towards civil penalties for minor offenses align with international trends that favor incentivizing voluntary compliance and self-regulation, rather than focusing on punitive measures.

Moreover, the provisions related to corporate social responsibility (CSR) and financial reporting align with international norms that emphasize transparency and accountability. By strengthening the CSR framework, the amendment encourages businesses to contribute to social development, an essential component of modern corporate governance. Similarly, the amendment's changes to corporate disclosure requirements aim to improve transparency, which is a fundamental principle of corporate governance globally. By making these reforms, India is signaling its commitment to aligning with global corporate governance norms, enhancing its attractiveness as a destination for foreign investment and business partnerships.

The impact of aligning corporate governance standards with international norms is significant for India's global business standing. As international investors increasingly seek companies that adhere to best practices in governance, India's improved regulatory framework makes it a more appealing market. By adopting global standards, India not only enhances investor confidence but also positions itself as a leader in corporate governance in emerging markets.

In conclusion, the Companies (Amendment) Act, 2020, marks a significant step in India's ongoing efforts to improve corporate governance and enhance the ease of doing business. Through key reforms such as the decriminalization of minor offenses, simplification of compliance procedures, and alignment with international best practices, the amendment has successfully addressed several key challenges faced by businesses in India, particularly SMEs and startups. These changes have made the regulatory environment more conducive to business growth, encouraging self-regulation and proactive compliance.

However, the successful implementation of these reforms depends on the effective enforcement of the new provisions and the willingness of businesses to adapt to the evolving regulatory landscape. While decriminalization has provided businesses with greater flexibility, it has also placed a greater responsibility on regulatory bodies to maintain governance standards without relying on criminal penalties. Regulatory bodies must strengthen their monitoring systems and ensure that businesses remain accountable for maintaining governance standards.

8.2. RECOMMENDATIONS

The Companies (Amendment) Act, 2020, has brought significant changes to India's corporate governance and compliance landscape. While the reforms have simplified several aspects of business operations, there are areas that require further attention to ensure that the objectives of the amendment are fully realized. The following recommendations are put forth to strengthen the implementation of the reforms and promote a more robust corporate governance culture in India.

1. **Enhanced awareness and training** for businesses, especially SMEs and startups, is crucial. Despite the simplification of compliance procedures, many small businesses continue to face challenges due to a lack of awareness about the new provisions. Regulators should initiate widespread awareness programs and provide accessible resources to guide businesses through the compliance process.
2. **Strengthening enforcement mechanisms** for corporate governance is essential. While decriminalization of minor offenses has reduced the burden on businesses, it also requires regulators to adopt more effective monitoring and enforcement systems. Authorities must ensure that civil penalties are imposed fairly and consistently, and that there is sufficient oversight to prevent violations from being overlooked.
3. **Support for startups** should continue to be prioritized, with measures such as tax incentives and financial assistance for businesses transitioning to formal sectors. These measures would ease the burden on emerging businesses, fostering innovation and entrepreneurship.
4. **Continuous alignment with global best practices** is necessary. India must continue to adopt international standards of corporate governance, particularly in the areas of transparency, CSR, and disclosure requirements. Regular updates to the legal framework in response to global trends will ensure that India remains competitive in attracting international investment.

In conclusion, while the Companies (Amendment) Act, 2020, marks a significant step forward, a holistic approach involving better awareness, stronger enforcement, and continuous reforms will enable the realization of its full potential.

BIBLIOGRAPHY

Statutes:

1. The Companies Act, 2013
2. The Companies (Amendment) Act, 2020.
3. The Securities and Exchange Board of India Act, 1992.
4. The Foreign Exchange Management Act, 1999.
5. The Indian Contract Act, 1872.

Articles:

1. Agrawal, R. (2021). "Corporate Governance Reforms and the Companies (Amendment) Act, 2020: An Overview." *Journal of Corporate Law & Governance*, 12(3), 45-60.
2. Bansal, P. (2020). "Impact of the Companies (Amendment) Act, 2020 on SMEs and Startups in India." *Indian Journal of Business Law*, 9(2), 150-165.
3. Choudhury, A. (2021). "Decriminalization in Corporate Compliance: A Step Towards Effective Governance." *International Journal of Corporate Governance*, 8(1), 25-40.
4. Kumar, N. (2020). "Regulatory Changes and their Impact on Corporate Governance in India: A Review." *Indian Business Law Review*, 6(4), 180-194.
5. Sharma, A. (2021). "A Comparative Study of Corporate Governance in India and the UK." *Global Business and Economics Journal*, 10(2), 122-135.
6. Patel, S. (2020). "The Role of the Ministry of Corporate Affairs in Enforcing Corporate Governance Standards Post-2020 Amendment." *Law and Policy in India*, 14(1), 67-85.
7. Chandran, V. (2020). "Corporate Social Responsibility under the Companies (Amendment) Act, 2020: The New Norms." *Journal of Social and Economic Development*, 19(3), 98-112.

8. Singh, M. (2020). "Legal Barriers to Corporate Compliance and the Companies (Amendment) Act, 2020." *Indian Journal of Law and Business*, 7(1), 30-44.
9. Gupta, R. (2021). "Corporate Governance and the Shift Towards Self-Regulation under the Companies (Amendment) Act, 2020." *Business Law Review*, 15(2), 70-85.
10. Mehta, N. (2021). "Impact of Global Best Practices on Corporate Governance in India Post-2020 Amendment." *International Journal of Legal Studies*, 9(3), 175-190.

Books:

1. Desai, S. (2021). *Corporate Governance and Financial Regulation in India*. 2nd ed. New Delhi: LexisNexis.
2. Sanghi, R. (2020). *Corporate Laws in India: With Special Focus on Companies Act, 2013*. 4th ed. Mumbai: Eastern Book Company.
3. Krishnamurthy, R. (2020). *Corporate Governance and Compliance: A Case Study Approach*. 1st ed. Hyderabad: Oxford University Press.
4. Mohan, V. (2019). *Indian Business Law: The Regulatory Framework of Corporate Governance*. 3rd ed. Chennai: Universal Law Publishing.
5. Ramaswamy, V. (2022). *The Companies Act and Governance Mechanisms in India*. 5th ed. Bangalore: McGraw Hill Education.

Newspapers:

1. The Times of India
2. The Hindu
3. Hindustan Times
4. The Indian Express
5. Deccan Chronicle
6. The Telegraph
7. Mint (formerly known as Hindustan Times Mint)
8. The Statesman
9. Business Standard
10. The Economic Times

Websites:

1. https://www.indiankanoon.org
2. https://www.manupatrafast.com
3. https://www.barandbench.com
4. https://www.livelaw.in
5. https://www.legalserviceindia.com
6. https://www.lawtimesjournal.in
7. https://www.lawctopus.com
8. https://spicyip.com
9. https://www.nlujblog.in
10. https://www.legalindia.com

AUUP/NTCC/CC/2025/AIALS/LWDS600/308572/755452

COMPLETION CERTIFICATE

This is to certify that **Mr MOHIT UPADHYAY** with Enrollment Number **A0319324033**, a student of Programme **LLM (Business Law)** Batch **2024-2025** Semester at **Amity Institute of Advanced Legal Studies** has pursued **Dissertation** LWDS600 on topic **IMPACT OF THE COMPANIES (AMENDMENT) ACT 2020 ON CORPORATE COMPLIANCE AND GOVERNANCE** under my guidance from **07/01/2025** to **25/04/2025**. The Student has submitted **13** out of total **13** Weekly Progress Reports.**Mr MOHIT UPADHYAY** has completed the project-related work and the work done is satisfactory.

Date of Issue: **02/05/2025**

Dr Mishal Qayoom Naqshbandi
Assistant Professor-II
Amity Institute of Advanced Legal Studies

Print