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Whistleblower Protections in Corporate Law: Legal Remedies and Challenges in India

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ABSTRACT :

Whistleblower protections form a important issue of present day company governance, enabling inner actors to document fraud, corruption, and regulatory violations with out fear of retaliation. In India, while statutes inclusive of the ‘Companies Act, 2013’ and SEBI (LODR) Regulations, 2015 acknowledge the want for whistleblower mechanisms, the legislative and institutional frameworks stay fragmented and susceptible in enforcement. The ‘Whistle Blowers Protection Act, 2014’, though landmark in intent, excludes non-public corporations and stays underutilized.

This paper presents a complete legal analysis of whistleblower safety inside the Indian company context. It explores key judicial developments, governance failures such as the Satyam scandal and Infosys disclosures, and compares India’s stance with global high-quality practices such as the U.S. Dodd-Frank Act and the UK’s Public Interest Disclosure Act (PIDA). The have a look at reveals pressing demanding situations—confined scope, worry of retaliation, and absence of centralized oversight—and offers reformative answers which include extending protection to private-zone whistleblowers, codifying anti-retaliation clauses, and organising an unbiased whistleblower company. It concludes that safeguarding whistleblowers is imperative for moral corporate behavior, investor self belief, and long-time period institutional integrity.

Keywords: Whistleblower, Corporate Governance, ‘Companies Act, 2013’, SEBI LODR Regulations, Vigil Mechanism, Retaliation, Dodd-Frank Act, Public Interest Disclosure Act (PIDA)

I. Introduction

In today’s globalized economy, corporate accountability has emerged as an indispensable component of good governance. At the heart of this accountability lie whistleblowers—ordinary individuals who choose to speak up against wrongdoing within the institutions they are part of. In recent decades, India has witnessed numerous corporate scandals, from Satyam to IL&FS, that exposed gaping holes not only in financial regulation but also in corporate ethics. In many of these cases, whistleblowers played a pivotal role in bringing malfeasance to light. Yet, paradoxically, these individuals often find themselves vulnerable, threatened, or isolated, without adequate legal protection or institutional support.

India’s legal framework for whistleblower protection remains fragmented and largely reactive. While some statutory mechanisms exist under the ‘Companies Act, 2013’, and SEBI regulations, they often lack clarity, enforcement strength, and universality across corporate strata. Moreover, cultural and institutional barriers—such as a fear of retaliation, lack of anonymity, or weak internal grievance mechanisms—further disincentivize whistleblowing, especially in private corporate settings. Against this backdrop, this paper seeks to critically examine the conceptual underpinnings of whistleblowing in India, while exploring its legal contours and identifying gaps in corporate law that warrant urgent reform.

II. Conceptual Framework: Who is a Whistleblower?

At its core, whistleblowing refers to the act of reporting misconduct, illegal activity, fraud, or ethical violations within an organization to individuals or entities that have the power to take corrective action. A whistleblower may be an employee, contractor, stakeholder, or even a third party who comes across evidence of wrongdoing and chooses to expose it—either internally (within the organization) or externally (to regulators, media, or law enforcement). The primary motivation is often rooted in a sense of public interest or organizational integrity rather than personal gain.

The term "whistleblower" finds its metaphorical origin in the image of a referee blowing a whistle to stop foul play. In the Indian corporate context, the idea has evolved to include protections for those who disclose unethical practices such as financial manipulation, bribery, insider trading, and even sexual harassment in workplaces governed by corporate entities¹. Notably, whistleblowing is not just a legal construct—it is also deeply ethical and social, requiring a blend of courage, conscience, and moral clarity.

¹ Sharma, A., *Whistleblowing as a Tool to Corporate Good Governance – An Indian Perspective*, Research Journal of Humanities and Social Sciences, Vol. 9, Issue 3, 2018. Available at: <https://www.indianjournals.com/ijor.aspx?target=ijor:rjhs&volume=9&issue=3&article=033>.

Scholars like Banerjee and Prakash define a whistleblower as an “insider who reveals information on illegal, immoral or illegitimate practices under the control of their employers, to persons or organizations that may be able to effect action”². This understanding is crucial because it distinguishes whistleblowing from mere workplace complaints—it implies a higher threshold of significance and public impact.

In India, this framework becomes especially complex due to hierarchical work cultures, weak internal compliance systems, and a general aversion to dissent within corporate environments³. Thus, a robust conceptualization of whistleblowing in Indian corporate law must go beyond statutory definitions and consider the sociocultural, ethical, and institutional dimensions of the act.

III. Legal Framework for Whistleblower Protection in India

India’s whistleblower protection regime has developed through a patchwork of statutes, rules, and regulatory mandates, each addressing different facets of corporate transparency. However, there is still no comprehensive, standalone law that uniformly governs whistleblower rights across both the public and private sectors.

The ‘Companies Act, 2013’ plays a foundational role in defining whistleblower-related provisions in the corporate sector. Specifically, Section 177(9) mandates that every listed company—and other specified classes of companies—must establish a *vigil mechanism* for directors and employees to report concerns. This includes provisions to safeguard whistleblowers against victimization, though implementation often falls short due to lack of autonomy and oversight⁴. Furthermore, Section 177(10) requires audit committees to ensure that whistleblower complaints are addressed appropriately, albeit without detailing penalties for non-compliance.

Regulatory guidance by SEBI under the Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015 further reinforces this obligation. Regulation 4(2)(d)(iv) requires listed companies to establish an effective whistleblower mechanism that allows for direct access to the audit committee in appropriate cases. While this step marks progress, the absence of legal compulsion for unlisted and private entities creates a substantial regulatory vacuum⁵.

Another significant yet underutilized statute is the ‘Whistle Blowers Protection Act, 2014’, initially intended to provide safeguards to individuals exposing corruption in public offices. Unfortunately, its scope is restricted to the public sector and has not been extended to private corporate whistleblowing. Moreover, a controversial 2015 amendment proposed exclusions for disclosures involving national security, thereby diluting its effectiveness and drawing criticism from civil society and legal commentators⁶.

More broadly, the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Prevention of Corruption Act, 1988 offer indirect protection to whistleblowers in specific contexts. Yet, none of these statutes offer a holistic, integrated remedy for whistleblowers operating within India’s complex corporate environment.

IV. Judicial Stance on Whistleblowers

The Indian judiciary has historically shown a cautious but supportive stance towards whistleblower protection, especially when such disclosures are linked to public interest or corruption. However, case law specifically concerning corporate whistleblowing remains limited, partly due to the absence of a dedicated legal framework that would otherwise generate substantial litigation or judicial interpretation.

In *Rajendra Kumar v. Union of India*, the Delhi High Court highlighted the indispensable role played by whistleblowers in upholding the rule of law and curbing administrative arbitrariness. The Court emphasized the need to protect officers who act in good faith by reporting corruption, observing that “honest officers cannot be made scapegoats in a system where transparency is essential to democracy”⁷. While this ruling was rooted in the context of public employment, its moral and constitutional grounding echoes strongly in corporate scenarios.

Another noteworthy case is *Central Vigilance Commission v. Union of India*, where the Supreme Court supported the institutionalization of whistleblower policies in public sector units and recommended statutory protection for such individuals. The judiciary acknowledged that fear of retaliation is a real deterrent and must be addressed through legal and procedural reform⁸.

However, despite these progressive observations, the judiciary has refrained from crafting enforceable protections for whistleblowers in private corporations. Courts have generally treated corporate whistleblowing as an internal matter, rarely intervening unless fundamental rights or criminal laws are invoked. This judicial restraint further underscores the urgent need for statutory clarity.

What remains clear is that Indian courts are not indifferent to whistleblowers—but their proactive role is hindered by the legislative silence in the private corporate space. As such, jurisprudence continues to evolve incrementally, often relying on the moral force of public interest rather than a codified body of rights.

² Banerjee, J., & Prakash, B., *Evaluating the Role of Whistleblowers in Modern Corporate Governance*, Human Rights Law Review, 2025. Available at: <https://humanrightlawreview.in/wp-content/uploads/2025/01/Evaluating-the-Role-of-Whistleblowers-in-Modern-Corporate-Governance.pdf>.

³ Aneja, S., *Corporate Good Governance and Whistleblowing in India: A Critical Analysis*, Indian Journal of Legal Research, 2022. Available at: <https://ijlr.iledu.in/wp-content/uploads/2022/09/I34.pdf>.

⁴ Companies Act, 2013, § 177(9), No. 18, Acts of Parliament, 2013 (India). Available at: <https://www.indiacode.nic.in>.

⁵ Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Regulation 4(2)(d)(iv). See: <https://www.sebi.gov.in>.

⁶ PRS Legislative Research, *The Whistle Blowers Protection (Amendment) Bill, 2015* (India). Available at: <https://prsindia.org/billtrack/whistle-blowers-protection-amendment-bill-2015>.

⁷ *Rajendra Kumar v. Union of India*, W.P.(C) No. 324/2015, High Court of Delhi.

⁸ *Central Vigilance Commission v. Union of India*, (2003) 6 SCC 194.

V. Corporate Governance Failures and Whistleblowing: Lessons from Satyam and Others

Perhaps the most striking illustration of whistleblowing's potential and necessity in India's corporate sector is the infamous *Satyam Computers scandal*. In 2009, the founder of Satyam, Ramalinga Raju, confessed to inflating company profits and fabricating cash balances in what was later dubbed "India's Enron." What is often overlooked, however, is that internal red flags were raised well before the public confession. Employees and auditors had voiced concerns informally, but lacked a secure, independent channel to report fraud without fear of retaliation⁹. The absence of a structured whistleblower framework allowed the manipulation to continue unchecked for years, causing massive investor losses and reputational damage to Indian corporate governance globally.

Similarly, in the *ICICI-Videcon loan controversy*, whistleblower letters to the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI) triggered a probe into conflict of interest allegations against ICICI's then-CEO Chanda Kochhar. Although external disclosures were eventually acted upon, the corporate culture surrounding internal dissent was reportedly opaque and dismissive¹⁰.

These cases, along with the *IL&FS collapse* and the *Punjab National Bank scam*, reinforce a common pattern—lack of protection and institutional mechanisms for internal whistleblowers leads to delayed detection, enabling the escalation of fraud. They underline the critical role whistleblowers play as early warning systems in corporate governance, and the consequences of ignoring them.

VI. Comparative Jurisprudence: Global Models of Whistleblower Protection

A review of international jurisprudence reveals more robust and structured whistleblower protection regimes than what currently exists in India. The United States leads in this regard with the *Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010*, which not only offers confidentiality and protection against retaliation but also incentivizes whistleblowing through financial rewards tied to enforcement actions by the Securities and Exchange Commission (SEC)¹¹. Moreover, the *Sarbanes-Oxley Act, 2002* criminalizes retaliation against whistleblowers and mandates companies to maintain internal procedures for handling complaints.

In the United Kingdom, the *Public Interest Disclosure Act (PIDA), 1998* provides comprehensive protection to whistleblowers, covering disclosures made in the public interest, even when the individual's motives are mixed. The law applies across sectors and is supported by tribunals that can award compensation in retaliation cases¹².

The European Union, too, has taken significant strides. The *EU Whistleblower Protection Directive (2019/1937)* mandates that both public and private organizations with over 50 employees establish internal reporting mechanisms, ensure confidentiality, and prohibit retaliation. Notably, it provides for both internal and external reporting options, including media disclosures under specific conditions¹³.

These global models are unified by a common principle: whistleblowing is not just a compliance tool but a democratic right that supports ethical governance. India's framework, by contrast, remains reactive, narrow in scope, and largely symbolic without institutional teeth.

VII. Challenges in Indian Context

Despite statutory advancements, whistleblowing in India is riddled with systemic and cultural challenges. The most glaring issue is the absence of a comprehensive and enforceable law that spans both public and private sectors. The 'Whistle Blowers Protection Act, 2014' remains inadequately implemented and limited to disclosures against public officials, leaving corporate whistleblowers vulnerable¹⁴.

A second challenge is the lack of anonymity and confidentiality in internal complaint mechanisms. Many companies merely fulfill procedural obligations under the Companies Act without ensuring operational independence or employee trust. This leads to fear of victimization, job loss, and professional isolation—detering potential whistleblowers from coming forward.

Furthermore, cultural and organizational hierarchies in Indian workplaces discourage dissent. Speaking out is often equated with disloyalty, and whistleblowers are frequently labeled as troublemakers rather than protectors of institutional integrity.¹⁵

There is also a deficit of public awareness and legal literacy surrounding whistleblower rights. Unlike in countries with established legal traditions protecting informants, Indian employees are rarely informed about their legal entitlements or mechanisms to report wrongdoing safely.

Finally, the judicial system's slow pace and absence of special adjudicatory bodies for whistleblower grievances further discourage redressal. Even where courts have expressed sympathy for whistleblowers, lack of statutory backing limits their ability to provide swift and comprehensive relief.

⁹ Banerjee, J., & Prakash, B., *Evaluating the Role of Whistleblowers in Modern Corporate Governance*, Human Rights Law Review, 2025, at 3–5. Available at: <https://humanrightlawreview.in/wp-content/uploads/2025/01/Evaluating-the-Role-of-Whistleblowers-in-Modern-Corporate-Governance.pdf>.

¹⁰ Sharma, A., *Whistleblowing as a Tool to Corporate Good Governance – An Indian Perspective*, Research Journal of Humanities and Social Sciences, Vol. 9, Issue 3, 2018. Available at: <https://www.indianjournals.com/ijor.aspx?target=ijor:rjhs&volume=9&issue=3&article=033>.

¹¹ Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 922, 124 Stat. 1376 (2010).

¹² Public Interest Disclosure Act 1998, c. 23 (U.K.).

¹³ Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law, OJ L 305, 26.11.2019, p. 17.

¹⁴ PRS Legislative Research, *The Whistle Blowers Protection (Amendment) Bill, 2015*. Available at: <https://prsindia.org/billtrack/whistle-blowers-protection-amendment-bill-2015>.

¹⁵ Aneja, S., *Corporate Good Governance and Whistleblowing in India: A Critical Analysis*, Indian Journal of Legal Research, 2022. Available at: <https://ijlr.iledu.in/wp-content/uploads/2022/09/134.pdf>.

VIII. Suggested Reforms and Recommendations

1. Extend the 2014 Act to Private Sector: Amend the Whistle Blowers Protection Act to cover private corporations, vendors, and contractors.
2. Codify Corporate Criminal Liability: Introduce criminal penalties for retaliation under the Companies Act, especially under Section 447 (fraud).
3. Create a Centralized Whistleblower Agency: Establish a semi-judicial authority akin to the SEC's Office of the Whistleblower.
4. Financial Incentives and Legal Aid: Implement reward schemes for valid disclosures and provide legal assistance to whistleblowers.
5. Awareness and Ethics Training: Corporate boards should undergo mandatory training on whistleblower mechanisms and fiduciary duties.
6. Real-Time Reporting and Digital Platforms: Encourage use of encrypted, blockchain-based reporting tools for secure and anonymous disclosures.

IX. Conclusion

Whistleblowers serve as a cornerstone of ethical corporate governance. Their protection is not only a legal imperative but also a moral and economic necessity in fostering accountability and public trust in businesses. While India has taken initial steps through the Companies Act and SEBI regulations, significant gaps remain in scope, enforcement, and cultural acceptance. A comprehensive, centralized, and incentive-based whistleblower framework—anchored in both corporate law and human rights jurisprudence—is essential to build a fearless and transparent corporate ecosystem.

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