International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

DIFFERENCE BETWEEN CORPORATE GOVERNANCE IN USA V/S U.K

[1] Shwetank Singh, [2] Dr.Shova Devi

[1 2] AMITY LAW SCHOOL AMITY UNIVERSITY, LUCKNOW UTTAR PRADESH, SESSION: - 2020 -2025

CHAPTER – 1 INTRODUCTION

Corporate Governance seeks to cultivate an environment of trust, transparency, and accountability—essential elements for encouraging long-term investment, financial soundness, and ethical business conduct, thereby advancing broader societal growth and fairness.

In the modern era, marked by rapid globalization, the significance of Corporate Governance (commonly referred to as CG) has increased in cj.ontemporary market-driven economies. As nations and businesses become increasingly interconnected, governance serves as a critical tool to uphold fairness and safeguard the interests of multiple stakeholders ranging from shareholders and creditors to employees.

Corporate Governance primarily addresses the mechanisms through which investors can be assured of just and secure returns on their investments, whether through equity or debt instruments. It also plays a pivotal role in the strategic decision-making process, where notable differences often emerge between the governance preferences of a company's original founders and those of appointed managerial authorities.

Corporate Governance is conceptualized as a collaborative framework involving executives, directors, and equity financier individuals or entities that allocate and manage financial resources with the expectation of returns. This system ensures that the board of directors remains answerable for fulfilling organizational objectives while simultaneously adhering to legal and regulatory mandates.

The corporate landscape today is marked by increasing complexity in economic operations. With the changing dynamics of the financial world, shareholder involvement has undergone significant transformation, reshaping the modern financial environment. These developments have introduced considerable challenges for companies, their boards of directors, and stakeholders at large.
In recent times, there has been a notable rise in active communication between publicly listed companies and their principal shareholders. At the same time, shareholder activism has surged to new heights, intensifying the demands placed on corporate boards. This phenomenon is not limited to India; it reflects a broader, international trend.

Recognizing the growing importance of effective Corporate Governance systems within this context, the researcher has chosen the topic "A Comparative Study of Corporate Governance Practices in India, the UK, and the USA." The study aims to establish a conceptual foundation for examining and comparing governance mechanisms across these three countries.
This introductory chapter outlines essential elements of Corporate Governance, including its definition, purpose, historical background, and overall relevance. In addition, the chapter presents a brief overview of the study's scope and summarizes the structure of the dissertation, often referred to as "chapterization."

Theoretical and Conceptual Foundations of the Research Theoretical and Conceptual Foundations of the Research:

The term Corporate Governance carries a deep historical background and has evolved over centuries. It encompasses key areas such as managerial accountability, the structure and roles of the board of directors, and the rights of shareholders. The foundations of governance can be traced back to the 16th and 17th centuries with the establishment of major chartered corporations like the East India Company, the Hudson's Bay Company, and the Levant Company (Morck and Steier, 2003)…2.
Although the principles of corporate governance have existed for a long time, the term itself only began to gain prominence in scholarly and corporate discourse during the 1970s. The following diagram illustrates the various components and dimensions that form the basis of corporate governance.

Corporate Growth and the Evolution of Governance Practices
In the post-World War II era, the United States experienced significant economic growth, which played a crucial role in shaping modern corporate governance frameworks. As businesses expanded rapidly and corporate structures grew in complexity, decision-making power became heavily

concentrated in the hands of Chief Executive Officers (CEOs). During this period, both board members and shareholders often assumed more symbolic roles, with limited involvement in the actual management of the company.

Corporate Governance in the 1970s and 1980s: Regulation and Resistance

Significant progress in corporate governance began in the 1970s, when the U.S.Securities and Exchange Commission (SEC) brought governance issues into sharper focus. The term Corporate Governance was first officially recognized in 1976, when it appeared in the Federal Register, the U.S. government's official journal. Around this time, the SEC uncovered widespread instances of corporations engaging in questionable practices, such as bribing foreign officials and falsifying corporate records.

As a response, companies began strengthening internal control mechanisms by establishing audit committees and appointing a higher number of independent (non-executive) directors. In 1976, the SEC directed the New York Stock Exchange (NYSE) to require all listed firms to maintain audit committees composed solely of independent board members—a mandate the NYSE enforced.

Pushback in the 1980s

Despite reform efforts in the 1970s, the 1980s brought a wave of conservative political sentiment that pushed back against regulatory intervention. Attempts to strengthen shareholder rights—such as the introduction of the Protection of Shareholders' Rights Act of 1980 failed to pass in Congress.

Debates on corporate governance during this period centered on the American Law Institute (ALI) and its new project: the Principles of Corporate Governance, started in 1981. Although the NYSE had initially supported the project, it withdrew its endorsement after reviewing the first draft. Similarly, the Business Roundtable, a powerful association of CEOs, opposed the initiative.

Legal and economic scholars also criticized the ALI's early proposals. They argued that the framework did not reflect real-world market dynamics and lacked a solid empirical foundation. Many experts believed that encouraging litigation would not necessarily lead to better decision-making by boards of directors.

Eisenberg (1993)………3 examined the legal rationale behind the ALI's proposals, offering an analysis of key provisions across different governance domains and clarifying the principles' policy motivations and connections to existing laws.

The 2008 Global Financial Crisis and its Impact on Corporate Governance

By 2007, financial institutions—particularly banks—had begun engaging in increasingly risky practices, raising global concerns about the potential collapse of the financial system. In response to the emerging crisis, governments around the world tried to limit the damage by offering financial support. However, the collapse of Lehman Brothers triggered a chain reaction, throwing the global economy into turmoil.

Address the systemic vulnerabilities exposed by the crisis, the U.S. Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010. The legislation aimed to enhance financial stability and accountability within the U.S. financial system.

In the aftermath of the crisis, corporate boards came under greater scrutiny, with heightened expectations for transparency, ethical conduct, and accountability. Modern governance standards now require companies to prioritize board diversity both in terms of independent membership and overall composition. At the same time, advancements in technology have enhanced governance processes but have also introduced new risks. One growing concern is the threat of information breaches, which has shifted cyberattacks from large financial institutions to smaller companies and even government entities.

As Mulyadi, Anwar, and Ikbal (2012) point out……4, today's boards—regardless of company size recognize that the most effective way to protect stakeholders is to adopt a comprehensive, innovation-driven Corporate Governance model. These governance frameworks continue to evolve in response to emerging challenges and global standards.

While Corporate Governance is advancing worldwide, numerous studies suggest that the United States maintains one of the most sophisticated governance systems. The United Kingdom, notably following the release of the Cadbury Committee Report in the early 1990s, also instituted major reforms that have continued to develop. A distinctive feature of the UK system is the regular updating of governance codes every two years, ensuring their relevance In changing environments.

1.2 Core Principale Underpinning Corporate Governance

According to Mostovicz, Kakabadse, and Kakabadse (2011)…10 the framework of corporate governance is structured around four core pillars that shape the conduct and integrity of corporate practices. These pillars help organizations maintain ethical standards and ensure alignment with stakeholder interests.

Pillar 1 – Accountability

Accountability implies that the individuals involved in decision-making within a company—especially the board of directors—must answer for their actions and outcomes. The board acts as the representative body for shareholders and is responsible for ensuring that the company remains aligned with its strategic goals while operating in a fair and responsible manner.

Pillar 2 – Transparency

Transparency requires companies to provide stakeholders with clear, accurate, and timely information. This openness fosters trust and reduces information asymmetry between management and stakeholders. It plays a critical role in investor confidence and regulatory compliance.

Pillar 3 – Fairness

Fairness relates to the equitable treatment of all stakeholders. This includes shareholders, employees, creditors, customers, and the wider community. Corporate governance mechanisms must ensure that no stakeholder group is given preferential treatment, and that all are provided fair opportunities and protections under corporate policies.

Pillar 4 – Responsibility

Responsibility pertains to the ethical obligations of the company's leadership. It requires directors and executives to act with integrity and in the long-term interest of the business. Responsible governance ensures that legal compliance, environmental stewardship, and social accountability are part of the organization's strategic

ecisions.

1.3Frame Work Of Corporate Governance

There are various models of Corporate Governance around the globe. However, no one-size-fits-all model exists. The ideal corporate governance model for any organization depends not only on its strategic objectives and business context but also on broader socio-political, legal, fiscal, and institutional environments. Despite this diversity, two dominant models have emerged in global practice.

1.3.1 The Anglo-American Model of Corporate Governance

According to Ooghe and De Langhe (2002)…11 in Anglo-American countries, shareholders typically hold a minority of the total publicly traded shares, with most shares controlled by institutional investors. This model is frequently referred to as the "shareholders' model" due to its prioritization of shareholder interests.

In countries where this model prevails—such as the United States and the United Kingdom—there is greater emphasis on the rights and power of individual shareholders to own stock and engage in capital markets. This model heavily relies on Agency Theory and Stewardship Theory, which are elaborated below.

Agency Theory

Jensen and Meckling (1976)…12 introduced agency theory as a framework that explores the relationship between principals (owners/shareholders) and agents (managers). In an agency relationship, the principal delegates authority to the agent to perform certain tasks. However, since both are utility maximizers, agents may not always act in the best interests of the principals. To mitigate this, principals must establish monitoring mechanisms and incentive structures to align the agent's actions with their own goals. This leads to incurring agency costs, such as monitoring and bonding costs.

Stewardship Theory

As articulated by Donaldson and Davis (1991)…13 , stewardship theory offers an alternative perspective by asserting that managers, as stewards, are motivated to act in the best interests of the organization and its stakeholders. Unlike agency

theory, which assumes inherent conflict, stewardship theory assumes a cooperative relationship between shareholders and managers. However, even in this model, proper governance structures are required to ensure alignment with long-term shareholder value.

Monitoring Mechanisms

Becht, Bolton, and Röell (2002)…14 identify five primary approaches to mitigate collective action problems among shareholders:

Concentration of ownership

Delegation of monitoring to boards

Performance-based executive compensation

Legal protection of investor rights

Development of efficient markets for corporate control

1.3.2 The Continental European Model of Corporate Governance

In several mainland European countries such as Germany, France, and Italy, ownership of corporate shares is more concentrated. A substantial portion of shares tends to be held by closely-knit shareholder groups, primarily private corporations and financial institutions, with individual investors typically holding a smaller stake.

Compared to the Anglo-American model, fewer companies are listed publicly in these regions. Individuals are more likely to save privately rather than invest through capital markets. Consequently, a limited number of major shareholders often control substantial portions of corporate capital, having contributed significantly while also bearing considerable risk.

This model often aligns closely with stakeholder theory, as it emphasizes the importance of mechanisms that allow for stakeholder involvement in governance. Such participation is believed to enhance the legitimacy and operational capacity of corporations within this framework. (Ooghe& De Langhe, 2002)….15.

1.4 Corporate Governance Philosophies.

While the structure and implementation of Corporate Governance (CG) can differ across organizations, certain fundamental principles are widely acknowledged. According to Lazonick and O'Sullivan (2000)…..16 the core ideologies of CG include:

Equitable treatment of investors is essential. This involves not only treating all shareholders justly but also ensuring they are well-informed about their rights and the means to exercise them effectively.

Stakeholders' rights, whether legal, contractual, or social, must be honored. This necessitates maintaining regular and transparent communication with employees, investors, suppliers, and members of the broader community.
Corporate directors are expected to uphold values such as accountability, fairness, inclusivity, and openness within the governance framework.
Board members should possess the necessary expertise to critically evaluate the actions and strategies of the management.
A clearly defined ethical code should be established for both management and board members, and future appointments should align with these standards.
Corporate governance mechanisms and activities should remain accessible to relevant stakeholders or be formally disclosed to them as part of organizational transparency.

CHAPTER-II REVIEW OF LITERATURE, OBJECTIVES, AND METHODOLOGY

This chapter begins by offering an extensive review of existing literature and continues by discussing various subjects such as common corporate governance (CG) practices, cross-country governance aspects, sustainable development, and sustainability disclosure trends. It then elaborates on the research goals, key questions, hypotheses, methodology, research duration, limitations, and the relevance of the study.

2.1 Extent And Relevance OfThe Research

In today's highly competitive market, transparency has become a priority, making corporate governance vital across all sectors, including public institutions. Corporate governance plays a crucial role in building and sustaining the trust of various stakeholders—ranging from customers and suppliers to employees, shareholders, banks, and the broader community. At its core, CG is a system comprising rules, practices, and procedures that guide and supervise organizations. It stands on four foundational principles: transparency, thorough disclosure, independent monitoring, and fairness.

As discussed in Chapter I, multiple internal and external elements influence CG practices at both company and national levels. Therefore, studying the corporate governance frameworks of nations—especially advanced economies like the USA and UK, and a developing one like India—becomes imperative. This study aims to explore and compare selected dimensions of CG across these three countries and identify key takeaways for India from globally recognized practices.

Corporate Governance Practices in the United Kingdom (UK):

Concerns around enhancing corporate governance (CG) standards in the UK began to gain momentum during the late 1980s, reaching a peak in the early 1990s. This period saw the release of several influential reports, with the Cadbury Report (1992) standing out as a foundational document. Sir Adrian Cadbury (2002) defined corporate governance as "the system by which companies are directed and controlled." This and subsequent reports (such as the Paul Myners Report, 1995)…22 laid the foundation for what was eventually consolidated into a single code of corporate governance.

The revised Combined Code was issued in July 2003. Listed companies are required to disclose how they comply with its principal provisions. The principle of *"comply or explain"* means that companies must either adopt the recommendations or justify their deviation based on context-specific needs.

Globally, there are three major legal traditions: common law (originating from the UK), civil law (with French roots), and the German legal system. Common law jurisdictions are more numerous, which is why most comparative studies on CG focus on the British or Anglo-American systems.

In a comparative study across 49 countries, La Porta et al. (1997) analyzed legal factors influencing external finance, followed by further investigations in 2000. Their findings emphasized that where both investor and creditor rights are strong and actively enforced by regulatory institutions and the judiciary, investment tends to flourish. However, criticisms of the Anglo-American model have surfaced, especially concerning concentrated ownership structures and the vulnerability of minority shareholders to exploitation (La Porta et al., 1997, 1998, 1999).

Scholars have contrasted this with systems in Japan and Germany, where stakeholder consensus is emphasized, leading to more balanced internal governance (Porter, 1992; Lazonick& O'Sullivan, 1996; Roe, 1998).

Mallin (1994) proposed a corporate governance model in the UK formed by a triangular relationship between institutional investors and their bodies, the Cadbury Committee recommendations, and the London Stock Exchange. According to Cadbury (2000), governance problems arise due to the separation of ownership and management control.

Keenan (2004) highlighted the synergy between sound governance and strategic decision-making as key to long-term corporate sustainability. Agency theorists have argued that separating the CEO and chairperson roles leads to better governance outcomes (Balatbat et al., 2004; Rechner & Dalton, 1991). Further, Mallin, Mullineux, and Wihlborg (2005)…23 argued that corporate governance frameworks are ineffective without market competitiveness driving real incentives

Christensen, J….24 Kent, P., & Stewart supported the role of independent boards in mitigating agency issues and enhancing financial performance.
Pletz and Upson (2019)….25 found that, although the UK's self-regulatory governance approach may be less stringent than OECD models, it still yields highly efficient financial markets due to strong statutory prioritization of shareholders. Conversely, Elsayed et al. (2022)…26 explored corporate failures in the UK and concluded that failure was less likely when executive pay was moderated, boards had broad social networks, and managerial interlocks were limited. However, they observed that gender diversity and oversight committee independence alone did not necessarily mitigate risk.
In summary, the Cadbury Report (1992) played a pivotal role in shaping global CG standards. The corporate failures of the early 2000s, including the Enron scandal, further highlighted the critical role of robust governance systems in the global economic environment.

Corporate Governance Practices in the United States of America (USA)

The corporate governance (CG) framework in the United States has evolved significantly over the decades, shaped by changing economic conditions, regulatory reforms, and market expectations. As Jackson (2010)…27 observes, the development of U.S. corporate governance can be understood through a decade-wise analysis that highlights shifts in ownership structures, regulatory landscapes, and board dynamics. The U.S. model has traditionally been portrayed as fragmented, marked by the coexistence of federal statutes such as the *Securities Exchange Act of 1934* and the Sarbanes-Oxley Act of 2002 and state corporate laws, with Delaware being the most preferred state of incorporation. The Securities and Exchange Commission (SEC) and U.S. stock exchanges also play pivotal roles in oversight and enforcement.
A central theme In U.S. CG literature Is the agency theory, which investigates how managerial actions may diverge from shareholder interests. Scholars such as Jensen (1986)…28 , Marris (1964) ….29 , and Baumol (1959)…30 highlight the propensity of managers to prioritize private benefits over shareholder value, a phenomenon known as the "private benefits of control" (Grossman & Hart, 1988). Shleifer and Vishny (1989) ….31 note that managers often entrench themselves in leadership roles, even when their performance fails to meet corporate expectations, thus escalating agency costs. Jensen and Ruback (1983)…32 further argue that managerial entrenchment represents a significant inefficiency in corporate structures.
The American model, especially In the early 1990s, was criticized for Its short-term orientation, in contrast to the more long-term, stakeholder-focused Japanese governance approach (IRI, 1993). In the U.S., household investors own a significant proportion of equity in publicly listed firms, while banks and non-financial companies hold relatively minor stakes. Nonetheless, block shareholding by individuals, mutual funds, and corporate entities exacerbated by the 1980s wave of leveraged buyouts and hostile takeovers has left a lasting impact on ownership concentration.

The American CG model is frequently debated in academic circles. Roe (1998) describes U.S. governance as "high in rivalry but passable in takeovers," whereas Shleifer and Vishny (1997) argue that legal protection of minority shareholders and market-based takeover mechanisms suffice to discipline managers. However, the "one-size-fits-all" legislative approach has drawn criticism for potentially undermining the diversity of corporate contexts across industries and states (Anand, 2006).
Increased regulatory interventions particularly post-Enron and WorldCom scandals have strengthened the institutional role of the SEC and professional gatekeepers, including auditors, legal advisors, and analysts (Baker et al., 2006). According to Jackson (2010), U.S. corporate boards are typically small, include a high proportion of independent directors, and rely on committee-based structures to enhance governance efficacy.
The CG model In the United States continues to polarize opinion. Easterbrook and Fischel (1991)…33 and Romano (1993)…34 offer a positive assessment, emphasizing market-based efficiency and legal protections. However, Jensen (1993)…35 contends that the system is deeply flawed and advocates a shift toward more leveraged organizational forms, akin to those employed in Leveraged Buyouts (LBOs).
Proponents of effective governance argue it reduces information asymmetry in capital markets. For instance, Diamond (1985)…36 suggests that improved governance diminishes speculative trading by reducing the incentive for traders to seek private information. Similarly, Ajinkya et al. (2005)….37 and Chung et al. (2010)…38 find that firms with stronger governance structures issue more accurate earnings forecasts and experience greater liquidity and reduced cost of capital.

2.2 Research Aims and Purpose

- To explore the conceptual and theoretical underpinnings of corporate governance frameworks and policies in India, the United Kingdom, and the United States.
- To conduct a comparative analysis of the existing legal and regulatory provisions concerning the Board of Directors across the three countries. This includes examining aspects such as board composition, roles and responsibilities, director appointments, tenure, accountability, the presence and role of independent and women directors, and the overarching legal environment governing corporate governance practices.
- To assess the actual implementation of selected corporate governance parameters—specifically, the representation and proportion of independent and women directors—in a sample of companiesfrom each of the three countries.
- To evaluate the sustainability reporting practices adopted by selected companies in India, the UK, and the USA. The focus will be on key dimensions such as the use of internal versus third-party external assurance, adherence to Global Reporting Initiative (GRI) standards, alignment with United Nations Sustainable Development Goals (UN SDGs), and reliance on customized sustainability targets developed by the companies themselves.

It is important to highlight that Objectives 1 and 2 are largely conceptual in nature, aimed at enhancing theoretical understanding and contributing to the academic discourse on corporate governance. In contrast, Objectives 3 and 4 are more data-driven and form the empirical core of this research, serving as the foundation for hypothesis formulation in the subsequent section.

Chapter-3 Corporate Governance Framework in The United Kingdom

The UK witnessed major corporate failures in the late 1980s and early 1990s—including high-profile cases like Polly Peck and the Maxwell scandal—which exposed gaps in financial transparency, misleading accounting practices, sudden bankruptcies, limited auditor oversight, and misaligned executive remuneration (Agrawal & Cooper, 2017). These events led to the creation of the first formal Corporate Governance Committee in 1991—the Cadbury Committee (Enriques &Volpin, 2007).

According to the Financial Reporting Council, the most influential codes and committee reports shaping the UK's corporate governance framework include:

- The Cadbury Committee Report (1992)
- The Greenbury Report (1995)
- The Hampel Report (1998)
- The Combined Code (1998)
- The Turnbull Report (1999; revised 2005 and 2014)

3.1 Governance Structure And Mechanism in The U.K

The UK adopts an "Anglo-Saxon" model of corporate governance. This model is marked by widespread shareholder ownership, wherein the majority of a company's equity is held by external investors. Corporations in this system are typically managed by directors or executives (often referred to as agents), while ownership lies with the shareholders (referred to as principals).

This separation between ownership and control often gives rise to agency problems, where the interests of management may diverge from those of shareholders. Additionally, this governance structure is considered susceptible to hostile takeovers, which function as a disciplinary mechanism for underperforming management. Despite the dispersed nature of ownership, institutional investors often exercise considerable influence, which, combined with legal protections under company law, reinforces the principle of shareholder democracy.

3.2 Evolution and Progression Of Corporate Governance Guidelines.

The late 1980s and early 1990s witnessed several major corporate collapses in the UK, such as those of Polly Peck and the Maxwell Group. These events exposed serious flaws in financial reporting, misleading accounting techniques, unanticipated corporate failures, weak auditor oversight, and a poor correlation between executive compensation and company performance. In response, the Cadbury Committee the first of its kind was established in 1991.

The Financial Reporting Council has 15353atalogued the key governance codes and committee reports that have since shaped UK corporate governance, including:

- Cadbury Committee Report (1992)
- Greenbury Report (1995)
- Hampel Report (1998)
- Combined Code (1998)
- Turnbull Report (1999, revised in 2005 and 2014)

Chapter-4 Evolution and Legal Framework Of Corporate Governance

Corporate governance in India serves as a regulatory framework that guides organizations to operate responsibly and ethically. The principles underlying corporate governance aim to promote transparency, accountability, and fairness in business practices. In India, the governance structure is primarily guided by the regulatory frameworks issued by the Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA). These institutions lay down norms to ensure that companies are governed in a way that benefits shareholders, employees, consumers, and other stakeholders, while also fostering sustainable business growth.

In addition to aiding corporate objectives, this framework encourages dialogue among stakeholders such as policymakers, executives, NGOs, and law enforcement authorities. This chapter offers a comprehensive discussion on the evolution of corporate governance in India, key legal provisions, and the contributions of various expert committees over time.

The chapter is organized as follows: Section 4.1 explores the historical development of corporate governance in India, focusing on the recommendations made by various expert bodies. Section 4.2 delves into the legal and institutional mechanisms supporting governance, including the Companies Act, SEBI regulations, accounting and secretarial standards, listing norms, and CSR obligations.

4.1 Evolution of Corporate Governance in India

4.1.1 Phase I – Pre-Independence to Early Post-Independence Period

The evolution of corporate governance in India can be traced to its colonial legal heritage. Key legislation such as the Indian Contract Act, 1872, the Companies Act, 1866, and the Partnership Act, 1932 were instrumental in regulating business conduct. These laws mirrored the British model, and often led to fragmented and unprofessional ownership structures, which in turn caused mismanagement and lack of accountability (Srivastava et al., 1999)…45 .

Following independence, industrialists aimed to modernize Indian industry. As a result, the Companies Act, 1956 was enacted to reflect the changing needs of the Indian economy. Other significant legislations like the Factories Act and the Industries (Development and Regulation) Act (IDRA) were introduced during the 1950s. These lawshelped reshape the business landscape in line with the planned economic model (Afsharipour, 2009)..46 .

In support of industrial growth, the government established institutions such as ICICI, IDBI, and IFCI to provide long-term financial assistance. Although these development finance institutions were expected to enforce sound governance standards, their impact remained limited (Almaqtari et al., 2020)...47 . By the 1980s, governance practices remained weak overall, despite isolated examples of ethical business conduct—such as that seen in the Tata Group (Guha, Samanta & Majumdar, 2019)..48 .

4.1.2 Phase II – The Corporate Governance Revival

The term corporate governance gained prominence in India after the 1991 liberalization reforms. The Harshad Mehta securities scam of 1992, which involved extensive market manipulation, highlighted the urgent need for reform (Dhanaiah& Prasad, 2016) Additional controversies surfaced, including preferential allotments by multinational corporations at heavily discounted rates and the "vanishing companies" scandal, in which firms disappeared after collecting IPO proceeds (Goswami, 1996).These incidents severely eroded investor confidence and led to a prolonged slump in the primary capital markets (Gupta & Singh, 2014). Institutions like banks, mutual funds, and regulators began advocating for stronger governance norms. There was a growing realization among Indian corporates that transparency and ethical conduct were essential to attract foreign investment and maintain competitiveness (Guha, Samanta & Majumdar, 2019).

Chapter-5 Corporate Governance Framework in The United States Of America

The United States, a global economic leader, is home to many Fortune 500 companies and is widely recognized for its well-established corporate governance (CG) systems. These governance standards, however, have gone through substantial transformation over time. After World War II, the country entered a phase of significant economic growth, which shaped the nature of corporate control. During this time, CEOs were the key decision-makers, while directors and shareholders often held more symbolic roles.

The landscape began shifting in the 1970s when the Securities and Exchange Commission (SEC) began to stress the importance of CG. The term "corporate governance" officially made its first appearance in the Federal Register in 1976. Around this time, the SEC uncovered widespread corporate misconduct, including the falsification of documents and illicit payments to foreign officials. As a response, companies started setting up audit committees and bringing in more independent board members. By 1976, the SEC compelled the New York Stock Exchange (NYSE) to require all listed firms to have an audit committee comprised solely of independent directors.

The 1980s marked a politically conservative era that was resistant to Increased regulation. However, massive corporate scandals such as Enron and WorldCom eventually led to the enactment of the Sarbanes-Oxley Act of 2002. This was followed by the Dodd-Frank Act of 2010, which further restructured the governance framework, particularly in areas like executive pay and shareholder rights.

5.1 A Historical Perspective on Corporate Governance in The U.S.

The history of corporate governance in the United States is far more complex than the often-assumed image of a unified and consistent model. According to Jackson (2010)…61 . the financial crash of 1929 was a defining moment that compelled then-President Franklin D. Roosevelt to introduce policies that would restore investor confidence and revitalize the private sector. This effort resulted in the passage of two key federal laws: the Securities Act of 1933 and the Securities Exchange Act of 1934, which led to the creation of the SEC

In modern times, the most prominent legislative responses to governance failures have been the Sarbanes-Oxley Act—a response to the Enron and WorldCom scandals—and the Dodd-Frank Act, which introduced more stringent governance norms, especially around director nominations and executive pay disclosure

5.2 Legal And Regulatory Foundation Of U.S Corporate Governance

Corporate governance obligations in the United States are influenced by multiple sources, including:

- **State Corporate Laws**, especially in Delaware.
- **Federal Securities Legislation** such as the 1933 and 1934 Acts.
- **Rules of Stock Exchanges** like NYSE and NASDAQ.
- **Other Federal Statutes**, notably Sarbanes-Oxley and Dodd-Frank.

Chapter -6 CONCLUSION

Based on a detailed review of the literature and the corporate governance framework in India, it can be concluded that corporate governance is steadily gaining prominence in the country. Multiple factors have contributed to this shift:

- Since the mid-1990s, growing competition has compelled Indian companies to significantly revise their management practices.

- The perspective of corporate leadership has evolved, with new-generation enterprises being steered by progressive and globally focused professionals who prioritize transparency and sound governance.
- The rapid development of capital markets has brought about a fundamental change in mindset, with ethical wealth creation becoming a prevailing objective.
- Foreign investors have consistently emphasized the importance of strong corporate governance, demanding improved transparency and disclosures, and directing their investments towards companies with robust governance systems.
- There is a growing focus on sustainable business practices and ethical behaviour, leading to enhanced transparency in financial reporting and internal governance structures.
- Financial entities such as banks and development finance institutions (DFIs) have ceased providing unconditional backing to corporate management. As DFIs become more market-oriented, they are expected to convert parts of their debt into equity and exercise enhanced oversight, including active participation in company boards.
- The implementation of Indian Accounting Standards (Ind AS), harmonized with International Financial Reporting Standards (IFRS) and globally accepted disclosure practices, is anticipated to enhance India's integration with international capital markets and improve access to global financial resources.

In conclusion, the trend toward improved corporate governance practices in India has become increasingly evident, particularly following the implementation of the Companies Act, 2013. Having understood the trajectory of corporate governance in India, the next chapter shifts focus to the legal and regulatory structure in the United Kingdom.

Final Thoughts and Directions for Future Research

A promising direction for future research lies in the holistic integration of sustainability requirements. Currently, most sustainability frameworks approach economic, environmental, and social factors in isolation. Developing comprehensive strategies to embed these elements seamlessly into corporate evaluation systems could be an area of valuable academic exploration.

At present, many companies emphasize the use of Sustainability Reporting Tools (SRTs) that focus primarily on environmental indicators such as emissions and resource consumption. This narrow scope may contribute to insufficient overall sustainability disclosures. Bridging this gap and identifying mechanisms that allow corporate strategies to better align with SRTs is a crucial area for further inquiry.

There is also a pressing need to incorporate the notions of uncertainty and variability into existing SRTs, especially from the standpoint of evaluators and stakeholders. Additionally, the lack of harmonization among global SRTs presents a challenge for cross-border comparability. Establishing a common standard would significantly enhance the ability to benchmark companies internationally. Future studies may contribute by proposing practical steps to support standardization and convergence across jurisdictions.

These areas represent just a few of the numerous potential research avenues. This list is by no means exhaustive and is intended to serve as a starting point for deeper exploration. With this, the current study reaches its conclusion, providing a foundation for continued academic dialogue in the evolving field of corporate governance and sustainability.

From the preceding discussion, it is evident that the UK Corporate Governance Code stands as one of the most prominent and influential governance frameworks globally. Its featureshave been reviewed in detail, including the regular biennial updates that reflect its dynamic and evolving nature.

Despite its strengths, a recent scholarly paper by Cheffins and Reddy (2022)…89 has called for the Code's abolishment. They outline three primary criticisms: firstly, they argue that the Code has become redundant in many areas, as it overlaps with existing mandatory regulations—particularly those concerning audit committees and executive remuneration. Secondly, the compliance burden associated with the Code has escalated significantly, leading to increased costs for businesses. Lastly, they suggest that the Code has drifted towards an ill-placed emphasis on stakeholder interests, potentially diverting focus from its core purpose.

Nevertheless, the researcher maintains that the UK Corporate Governance Code possesses significant value. It incorporates several progressive and flexible features, especially its hallmark "comply or explain" principle, which encourages adaptability. No governance system is without flaws, but these imperfections should prompt reform—not elimination. The criticism of any regulatory structure is inevitable, yet the path forward lies in strengthening and refining such frameworks rather than discarding them entirely.

This section "Having analysed the corporate governance mechanisms in both India and the United Kingdom, the subsequent chapter turns its attention to the legal and regulatory framework that governs corporate governance in the United States."

BIBLIOGRAPHY:

1. Aguilera, R. V., & Jackson, G. (2003). The cross-national diversity of corporate governance: Dimensions and determinants. Academy of Management Review, 28(3), 447–465. https://doi.org/10.5465/amr.2003.10196772
2. Bebchuk, L. A., & Roe, M. J. (1999). A theory of path dependence in corporate ownership and governance. Stanford Law Review, 52(1), 127–170. https://doi.org/10.2307/1229522
3. Cadbury, A. (1992). Report of the Committee on the Financial Aspects of Corporate Governance. Gee Publishing.
4. Clarke, T. (2007). International corporate governance: A comparative approach. Routledge.
5. Mallin, C. A. (2019). Corporate governance (6th ed.). Oxford University Press