Indian Economy · GS - III

Examine the significance of corporate governance mechanisms in ensuring accountability, transparency and effective decision-making in large business groups.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 23/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Board accountability, shareholder rights, independent directors, fiduciary duties, general meetings, related-party transactions, institutional oversight, corporate transparency

Model Answer

Introduction

Corporate governance refers to the system of rules, practices and processes through which companies are directed and controlled. In large business groups, effective governance is essential because ownership, management and stakeholder interests may differ.

Significance of Corporate Governance

1. **Board accountability:** The Board of Directors is responsible for strategic oversight, risk management and protecting the company's long-term interests.
2. **Shareholder participation:** General meetings and voting rights allow shareholders to question management and influence important corporate decisions.

3. **Transparency:** Disclosure requirements under the Companies Act, 2013 improve access to financial and operational information.
4. **Independent oversight:** Independent directors and audit committees strengthen scrutiny of management decisions.
5. **Protection of stakeholders:** Governance safeguards the interests of employees, creditors, investors and other stakeholders.
6. **Institutional credibility:** Compliance with legal and regulatory standards improves investor confidence and corporate reputation.

Major Challenges

- Concentration of ownership and influence.
- Conflicts between promoters, trustees and professional management.
- Weak shareholder participation or meeting-related disputes.
- Short-term commercial pressures affecting long-term sustainability.

Way Forward

Companies should strengthen independent board oversight, ensure transparent succession planning, protect minority shareholder rights and enforce robust disclosure and audit practices.

Conclusion

Strong corporate governance is not merely a statutory obligation but a foundation of sustainable business. Transparent decision-making and accountable leadership are essential for maintaining stakeholder confidence.

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