



Jus Corpus Law Journal

Open Access Law Journal – Copyright © 2022 – ISSN 2582-7820
Editor-in-Chief – Prof. (Dr.) Rhishikesh Dave; Publisher – Ayush Pandey

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Encompassing Corporate Governance & E-Governance in Corporations

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Received 08 August 2022; Accepted 27 August 2022; Published 03 September 2022

Corporate e-governance in corporations is greatly being propelled by technology; with each advancement in software, AI/automation tools, and blockchain, the scope of how such advancements can be implemented in corporations (for management, administration, compliance, and ESG purposes) outgrow human imagination. This article (“Article”) expands on the empirical data of modern corporate governance, and corporate e-governance in corporations. The implications the government has with certain legislations; meanings, and the legal framework (provisions, regulations, and standards) in corporations’ ability to conduct, perform and deliver excellent or good corporate governance. Adds the aforementioned technologies to attribute and give insights on-- the rise in the number of startups, the necessity for them to adapt to e-governance, and how these startups can propel toward becoming a unicorn and going public with the use of SaaS in their corporation; how over complying (for attaining ESG ratings) & introduction of newer stringent legislation is detrimental to the corporations and on a larger scale, can ruin entire economies; the need to strike the right balance. Concluding with a conclusion, and four (4) questions that need to be asked pertaining to corporate governance with the onset of the ONDC network.

Keywords: *corporate governance, e-governance, technologies, SaaS, ESG, detrimental.*

INTRODUCTION

Corporate governance is a super nascent field of study that is gaining importance among a range of professionals, encompassing governments, industry operators, directors, investors, stockholders, shareholders, academics, international organizations, and so on. Furthermore, in the current world, corporate governance and its terminologies - disclosure, transparency, shareholder value, and corporate governance - are keystones at the World Bank, International Monetary Fund (IMF), and Organisation of Economic Cooperation and Development (OECD)'s meetings, conferences, and forums. These organizations regard informed corporate governance standards as paramount to enabling emerging markets in regaining competitiveness, restoring investor trust, and promoting long-term economic progress.

In a world where technology is being utilized in almost all aspects of human life and has given us hard empirical data to base a conclusion that effective implementation of technology in operations can help improve effectivity, predictions/calculations, safety, monitoring, and intercommunication for optimized efficiency and operation.¹ Evidently, a push for corporate e-governance in corporations is therefore convenient for both, the corporations as well as the public at large. Indian bystanders are obliged to be informed about the Corporate Governance's framework, legality, consequences when neglected, development of e-governance, the advent of technology in it, and possible advancements; vigilance by the public in corporate matters has risen, hence, the accountability of corporations to be transparent and socially responsible has too.

CORPORATE GOVERNANCE

The mechanism through which companies are directed and governed is known as corporate governance. The governance of the companies is the responsibility of their boards of directors. The responsibility of the shareholders in governance is to appoint the directors and auditors, as

¹ Steve Brown & Ors, 'A comprehensive look at the intelligent building' (2016) 53(3) Consulting Specifying Engineer 54-59

well as to ensure that a suitable governance framework is in place.² Corporate governance is a system aimed at instilling principles and procedures that enable a corporation to retain its cohesion. Its purpose is to hold a corporation accountable while also assisting them in avoiding financial, legal, and ethical issues.

ACCOUNTABILITY IN CORPORATE GOVERNANCE

The performance of a publicly traded corporation in non-financial areas such as social responsibility and sustainability is referred to as corporate accountability. A company must be accountable to its employees and community members in addition to producing a profit for its shareholders, according to corporate responsibility.³

GOOD CORPORATE GOVERNANCE

The pillars of successful corporate governance are **accountability, fairness, transparency, assurance, leadership, and stakeholder management.**

Few principles of corporate governance

1. Maintaining a high level of ethical behaviour.
2. Conflicts of interest and loyalty should be identified, understood, and managed.
3. Maintain decision-making independence.
4. Informing and consulting people about the organization and its operations can ensure open communication.

Examples of good corporate governance: Calculation of the company's carbon footprint; respect for human rights in the company; transparency of executive salaries; implementation of a code

² 'Corporate Governance' (ICAEW) <<https://www.icaew.com/technical/corporate-governance#:~:text=Corporate%20governance%20involves%20balancing%20the%20interests%20of%20a,is%20essential%20to%20build%20public%20trust%20in%20companies>> accessed 06 August 2022

³ James Chen, 'Corporate Accountability' (*Investopedia*, 13 July 2022) <<https://www.investopedia.com/terms/c/corporate-accountability.asp#:~:text=Corporate%20accountability%20is%20the%20non-financial%20commitment%20of%20a,addition%20to%20making%20a%20profit%20for%20its%20shareholders>> accessed 06 August 2022

of conduct for employees. Routine internal audits, risk management, equipment maintenance schedule, training management system, routine internal audits, ISO certification, integrated business management system (IBMS), and reporting.⁴

IMPACT OF POOR CORPORATE GOVERNANCE

Poor corporate or bad corporate governance can lead to issues like negligence, fraud, corruption, and lack of accountability.⁵ Further business growth is stunted, there is inefficient utilization of resources that may be utilized elsewhere, and high levels of waste that are harmful to the environment and damaging to human lives nearby (Long-term and short-term).⁶

Examples/instances

Nestlé - Child labour, unethical promotion, manipulating uneducated mothers, pollution, price-fixing, and mislabelling – are the words associated with Nestlé.⁷ It is the world's largest foodstuff company, with a history that would make even dedicated industrialists' shiver.⁸ Analysts believe this is due to the fact that rules and procedures in poor countries are much laxer than in wealthy countries, where corporate crimes are identified early and compensations can be exorbitant.⁹

PepsiCo - Pepsi has a history of unethical business practices. The corporation has opposed public health regulations aimed at combating the obesity epidemic.¹⁰ It has also been accused of

⁴ Alexander Pavlović, '10 Good Corporate Governance Examples' (*Ideagen*, 08 June 2018) <<https://www.ideagen.com/thought-leadership/blog/10-good-corporate-governance-examples>> accessed 07 August 2022

⁵ Alexander Pavlović, '3 Reasons Businesses Demonstrate Poor Corporate Governance' (*Ideagen*, 05 June 2018) <<https://www.ideagen.com/thought-leadership/blog/3-reasons-businesses-demonstrate-poor-corporate-governance>> accessed 07 August 2022

⁶ *Ibid*

⁷ [Mihai Andrei](#), 'Why Nestle is One of the Most hated Companies in the World' (*ZME Science*, 01 February 2021) <<https://www.zmescience.com/science/nestle-company-pollution-children/>> accessed 07 August 2022

⁸ *Ibid*

⁹ 'Nestlé's Social Irresponsibility in Developing Nations' (*ICMR India*, 2005) <<https://www.icmrindia.org/casestudies/catalogue/Business%20Ethics/Nestle%20Social%20Irresponsibility%20in%20Developing%20Nations.htm>> accessed 07 August 2022

¹⁰ David Gelles, 'An Activist for the Poor Joins Pepsi's Board. Is That Ethical?' (*New York Times*, 28 October 2016) <<https://www.nytimes.com/2016/10/30/business/an-activist-for-the-poor-joins-pepsis-board-is-that-ethical.html>> accessed 07 August 2022

obtaining palm oil from unethical sources and indulging in deceptive marketing, both of which the firm has now rectified.¹¹

PACL Ltd - PACL was banned in 2015 by the regulator for illegally collecting at least Rs49,100 crore from 58 million investors over 18 years by using a tactic of gathering money against fictitious allocation letters to entice investors.¹² The suspected gathering of over 490 billion rupees (\$6.29 billion) from investors across the country was the subject of the investigation.¹³

The AGB Shipyard fraud - ABG Shipyard owed a total RS. 22, 8422 crore to 28 banks through multiple loans. The loaning period for these loans was between 2005 and 2012. This could have been avoided by effective communication between the involved parties.¹⁴

Infosys - Ambit Capital Research published a report on 'corporate governance standards' The board independence of India's second-largest information technology (IT) services company may be the worst among Tier-I companies, according to the report.

The promoters have disproportionately high board representation in relation to their total investment in the Bangalore-based company, according to the research. "While N R Narayana Murthy, S D Shibulal, and S Gopalakrishnan each own roughly 10% of the corporation, they control 23% of the voting rights on the board of directors. Infosys' board independence looks to be the weakest among Tier-I enterprises, with the most promoter representation and the lowest share of independent directors "According to the analysis, by Ankur Rudra and Nitin Jain.¹⁵

¹¹ *Ibid*

¹² 'PACL chit fund scam: 1.27 million investors get back a total of Rs438 crore' (*Live Mint*, 27 April 2021) <<https://www.livemint.com/companies/news/pacl-chit-fund-scam-1-27-million-investors-get-back-a-total-of-rs438-crore-11619519601672.html>> accessed 07 August 2022

¹³ *Ibid*

¹⁴ MG Arun, 'ABG Shipyard scam: India's Biggest Banking Fraud' (*MSN*, 24 February 2022) <<https://www.msn.com/en-in/news/other/abg-shipyard-scam-indias-biggest-banking-fraud/ar-AAUjtJm>> accessed 07 August 2022

¹⁵ 'Ambit Report Raises Concerns Over Infosys' Corporate Governance Practice' (*India TV*, 28 March 2014) <<https://www.indiatvnews.com/business/india/updated-news-ambit-report-infosys-corporate-governance-10946.html>> accessed 07 August 2022

*Corporate governance plays an invaluable role in identifying and halting all kinds of frauds that may be brewing within an organization.*¹⁶

INDIA'S CORPORATE GOVERNANCE REGULATORY FRAMEWORK

*The Companies Act, 2013*¹⁷

Many provisions related to good corporate governance are included in the new Companies Law, such as the composition of the board of directors, the admission of women as directors, the admission of independent directors, directors' training and evaluation, the constitution of the audit committee, internal audit, risk management committee, SFIO Purview, subsidiary company management, compliance centre, and so on. All of the elements of the new Companies Law contribute to a strong corporate governance system.

- Section 134¹⁸: It requires that every financial statement issued by the Board of Directors be accompanied by a report providing all relevant facts, including the statement carrying the director's responsibilities.
- Section 177¹⁹: It mandates the formation of an Audit Committee by the Board of Directors of every publicly traded firm or any other type of committee. It also specifies how the committee will be formed.²⁰
- Section 184²¹: It requires the Director to disclose his stake in any company or companies, body corporate, firms, or other groups of people. The director must report any such interest at the board's first meeting, and if the interest changes, the board's first meeting will be held after the change.²²

¹⁶ Simon Pham, 'Importance of Corporate Governance for Fraud Prevention' (*Polonious*, 5 January 2022) <<https://www.polonious-systems.com/corporate-governance-fraud-prevention/>> accessed 07 August 2022

¹⁷ Companies Act 2013

¹⁸ Companies Act 2013, s 134

¹⁹ Companies Act 2013, s 177

²⁰ *Ibid*

²¹ Companies Act 2013, s 184

²² *Ibid*

Securities and Exchange Board of India (SEBI)

SEBI is a regulatory body that was founded on April 12, 1992, with the goal of reducing financial industry misconduct and protecting investors' interests. Its major goal is to control the activities of the Stock Exchange and to ensure that the financial market develops in a healthy manner. SEBI developed detailed corporate governance requirements in order to ensure excellent corporate governance. According to the new laws, corporations must obtain shareholder approval for RPT (Related Party Transactions²³), as well as a provision for a whistle-blowers mechanism (Policy), a clear mandate to have at least one woman director on the Board, and detailed compensation package disclosures.²⁴

1. The regulatory authority has amended Clause 35B of the Listing Agreement. Listed firms must now provide the option of e-voting to their shareholders on all planned or passed general meetings, according to the modified provision. Those who do not have access to an electronic voting system should be able to vote by mail on a postal ballot. The modified paragraph was required in order for the listing agreement's terms to be harmonized with the provisions of the Companies Act, 2013. By doing so, a step closer to strengthening India's Corporate Governance norms for listed corporations is taken.
2. SEBI also changed Clause 49 of the Listing Agreement in order to improve the Corporate Governance framework for listed businesses in India. Independent directors are no longer eligible for stock options under the new clause. The amended provision now includes a whistle-blowers policy, which allows directors and employees to disclose any unethical behaviour, fraud, or violation of the company's Code of Conduct.
3. The Audit Committee has also been strengthened; it will now assess the risk management system, internal financial controls, and inter-corporate loans and investments. The legislation now compels all businesses to develop a policy for determining material subsidiaries,' which must be published online.

²³ Will Kenton, 'Related-Party Transaction' (*Investopedia*, 07 April 2022)
<<https://www.investopedia.com/terms/r/related-partytransaction.asp>> accessed 07 August 2022

²⁴ *Ibid*

Stock Exchanges' Standard Listing Agreement

When a company is listed on the stock exchange, the Listing Agreement is the basic contract that is signed between the company and the stock exchange. The listing agreement's principal goal is to guarantee that corporations adopt strong corporate governance practices. On behalf of the Security Exchange Board of India, the Stock Exchange guarantees that corporations follow excellent corporate governance. The Listing Agreement has 49 clauses, clause 49 is the clause outlining corporate governance that listed businesses must adhere to, and if they do not, they may face disciplinary action, suspension, or delisting of their securities.²⁵ Companies must also make specific disclosures and abide by the agreement's terms.²⁶

Accounting standards issued by ICAI

The Institute of Chartered Accountants of India (ICAI) has issued many accounting standards. The Institute of Chartered Accountants of India (ICAI) is a professional association of chartered accountants in India. The Chartered Accountants Act of 1949²⁷ created it as a statutory entity. It establishes accounting requirements for financial data disclosure. Financial statements of a firm must comply with the accounting standards issued under section 133 of the Companies Act, according to section 129 of the Act.²⁸ It also stipulates that the financial statement must present a true and fair picture of the company's financial situation. According to Section 133,²⁹ the central government has the authority to impose the accounting standards proposed by the ICAI. Accounting standards are established to ensure that a company's corporate governance is sound. The ICAI has issued the following accounting standards:

- Disclosure of accounting policies followed in the preparation of the financial statement
- Determination of values at which the inventories are carried in a financial statement,

²⁵ Devyani Pokhriyal, 'Difference Between Listing Agreement And Listing Regulation' (*IPleaders*, 12 August 2016) <<https://blog.ipleaders.in/difference-listing-agreement-listing-regulation-2015/>> accessed 07 August 2022

²⁶ Cyril Shroff & Amita Gupta Katragadda, 'Corporate Governance Laws and Regulations India' (*ICLG*, 2021) <<https://iclg.com/practice-areas/corporate-governance-laws-and-regulations/india>> accessed 07 August 2022

²⁷ Chartered Accountants Act 1949

²⁸ Chartered Accountants Act 1949, s 129

²⁹ Chartered Accountants Act 1949, s 133

- Cash flow statements for assessing the ability of an enterprise in generating cash,
- Standard to ensure that appropriate measurement bases are applied to provisions and contingent liability,
- Standard prescribing accounting treatment of cost and revenue associated with construction contracts.

Secretarial standards issued by ICSI

ICSI has published secretarial standards (Institute of Company Secretaries of India) The Company Secretaries Act of 1980³⁰ established it as a self-governing body. It is an organization in India that regulates and develops the profession of company secretaries. It publishes secretarial standards in accordance with the Companies Act of 2013.

- According to Section 118(10) of the Companies Act,³¹ every company must follow the secretarial standards set forth by the Institute of Company Secretaries of India for General and Board meetings. Secretarial standard-1 on Board Meetings aims to establish a set of guidelines for conducting Board of Directors meetings. These principles are also applicable to committee meetings. Except for one-person organizations, the SS-1 principles apply to all meetings of the Board of Directors.
- Secretarial standard-2 establishes guidelines for organizing and conducting general meetings. The technique for conducting e-voting and postal ballots is also covered by this standard. Except for one-person corporations incorporated under the legislation, SS-2 applies to all types of general meetings. The principles in SS-2 apply mutatis mutandis ("with things changed that should be changed") to creditors' and debenture holders' meetings. It further states that any meeting of a company's members, creditors, or debenture-holders convened by the CLB (Company Law Board), NCLT (National Company Law Tribunal), or any other body is governed by the terms of this standard.

³⁰ Company Secretaries Act of 1980

³¹ Companies Act 2013, s 118(10)

NGRBC and BRSR (National Guidelines on Responsible Business conduct; Business Responsibility & Sustainability Reporting)

India has progressed toward internationally acceptable sustainability reporting frameworks under the NGRBC and the new BRSR. Four out of five of the NIFTY 50 companies have previously freely revealed their ESG compliance data, as stated above. Furthermore, the majority of domestic ESG funds operating in India were launched in FY 2021, and the new disclosure regime under the BRSR is projected to result in an increase in funds with ESG mandates.³² NGRBC and BRSR go beyond the UNGPs (United Nations Guiding Principles on Business and Human Rights)³³ by requiring organizations not only to respect human rights but also to promote them in their spheres of influence.

Cross-border carbon tax

In the EU, a carbon border adjustment tax is a levy on imports that is based on the number of carbon emissions produced by the product in question. It inhibits emissions as a carbon price. It has an impact on production and exports as a trade-related measure.³⁴ India does not have a price on carbon, though it has been implemented in indirect forms through mechanisms like a coal cess, India is likely to join the EU, and as such the companies will have to disclose in reports its carbon emissions. It will be too late to accept social responsibilities if corporations don't manage to get their business sorted by then.³⁵ Even if India opposes it, it's always better to be on the safer side by being compliant with international standards rather than being complacent.

³² Cyril Shroff (n 26)

³³ 'General Principles of Business & Human Rights' (OHCHR)

<https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf> accessed 07 August 2022

³⁴ Pia Krishnan Kutty, 'How EU's Proposed Carbon Border Tax will Work & Why India is Among the Nations Opposing it' (*The Print*, 27 July 2021) <<https://theprint.in/theprint-essential/how-eus-proposed-carbon-border-tax-will-work-why-india-is-among-the-nations-opposing-it/703214/>> accessed 07 August 2022

³⁵ *Ibid*

E-GOVERNMENT PROMOTING E-GOVERNANCE IN CORPORATIONS

E-government is the application of information technologies and new business processes to change how governments engage with individuals and businesses. It refers to the use of information technology (such as wide-area networks, the internet, and mobile computing) by government entities. According to the World Bank, "change ties with citizens, corporations, and other government arms." E-government is anticipated to reduce corruption, promote transparency, and create more opportunities. It provides convenience, increases revenue, and lowers costs. The following are prerequisites for e-government: (a) Good working order; (b) Working governance processes; (c) Resource availability; (d) Consensus on drivers for e-government; and (e) political leadership and support.³⁶ World Bank adds that e-governance is "government agencies' use of information and communication technologies to transform relationships with citizens, enterprises, and other government arms." Information technology has given governance a whole new dimension.³⁷ E-governance is a 'window of opportunity' that allows the government and its citizens to engage much more quickly, conveniently, transparently, and dynamically."

CORPORATE E-GOVERNANCE

E-corporate governance (corporate e-governance) is the use of technologies and information systems in corporate governance.³⁸ Corporate governance and e-governance are relatively emerging disciplines that are relevant to both policymakers and marketers. It's important to remember that e-governance is a dynamic process with a broad scope. Information and communication technology have significant potential to assist India in achieving its good governance goals. That potential, however, has yet to be realized. Poor human, social, and administrative decisions, infrastructure, and ineffective approaches made by donors, policy

³⁶ Amita Charan, 'E-Governance A New Dimension of Corporate Governance' (*SSRN E-Journal*, 2011) <<https://ssrn.com/abstract=1641622>> accessed 07 August 2022

³⁷ *Ibid*

³⁸ Sonia Abdennadher & Walid Cheffi, 'The effectiveness of e-corporate governance: an exploratory study of internet voting at shareholders' annual meetings in France' (*Emerald*, 30 April 2021) <<https://www.emerald.com/insight/content/doi/10.1108/CG-04-2019-0116/full/html>> accessed 07 August 2022

planners, stakeholders, and governments are all contributing factors. But corporations by utilizing technology in their management and transparency aiding causes will be effective as opposed to being detrimental.

All business-related activities, administrative activities, and managerial functions of the corporate sector can undoubtedly be made more comfortable, efficient, transparent, and totally accountable and responsible through electronic governance.³⁹ As a result, e-governance in the corporate sector is unquestionably a necessary and prudent demand in every country throughout the world, including India. Because India is one of the world's most important, fast-growing, and influential economies, e-governance is critical and beneficial to the Indian corporate world, particularly in today's world of fierce corporate competition and an ever-increasing need for greater transparency and accountability in the corporate sector.⁴⁰ E-governance in corporations facilitates quicker and more effective company operations, more customer engagement, more responsible and transparent corporate administration and management, higher profits and shareholder satisfaction, and the corporation's greatest potential advancement and growth. Information technology is proposed as an “enabler” in empowering executives toward promoting a stakeholder perspective.⁴¹

COMPANIES ACT, 2013; PROVISIONS ON E-GOVERNANCE (MAJOR)

Maintaining, Securing, and Inspecting Electronic Books and Records

Section 120⁴² of the Indian Companies Act of 2013 and the Companies (Management and Administration) Rules of 2014⁴³ contain requirements and recommendations. Section 120 stipulates that a corporation shall retain a safe account of all business and management-related papers, records, registers, minutes, and other documents, ideally in electronic form, in such a

³⁹ Sandhya Aggarwal & Anita Aswal, 'E-Governance In Terms Of Indian Companies Act, 2013' (*Mondaq*, 13 August 2014) <<https://www.mondaq.com/india/corporate-governance/334126/e-governance-in-terms-of-indian-companies-act-2013>> accessed 07 August 2022

⁴⁰ *Ibid*

⁴¹ Sherly Elizabeth Abraham, 'Information technology, an enabler in corporate governance' (2012) 12(3) *Corporate Governance International Journal of Business in Society* 281-291

⁴² Companies Act 2013, s 120

⁴³ Companies (Management and Administration) Rules 2014

way that they may be quickly reviewed or duplicated as needed. The Indian Companies (Management and Administration) Rules of 2014 have rules that are numbered as Rule 27,⁴⁴ Rule 28,⁴⁵ to Rule 29⁴⁶.

Service of documents

This specifies that any presentation, submission, or transmission of company-related papers to interested officials, shareholders, or the Registrar should be done by electronic methods.⁴⁷

Declaration & payment of dividend

According to Section 123, in addition to being paid by cheques or warrants, any dividend due in cash can be transmitted to the entitled shareholders in any electronic form.⁴⁸

Notice of meetings

The notices of the general meeting are to be sent by electronic means as described in section 101.⁴⁹ Notice for the meeting of the board (“Meeting of Board”) to be sent via electronic means as described in section 173(3).⁵⁰ One of the most important provisions introduced by the new Indian Companies Act of 2013 to assist e-management and governance is electronic voting at general meetings of a business. Section 108,⁵¹ New Revised Clause 35B of SEBI's Listing Agreement, and Rule 20⁵² of the Companies (Management and Administration) Rules of 2014 all emphasize that every listed company or a moderately large company with at least 1000 shareholders should ideally use the facility of voting electronically by shareholders and members at the company's general meetings for passing any resolution (Ordinary/Special).⁵³ It

⁴⁴ Companies (Management and Administration) Rules 2014, rule 27

⁴⁵ Companies (Management and Administration) Rules 2014, rule 28

⁴⁶ Companies (Management and Administration) Rules 2014, rule 29

⁴⁷ Companies Act 2013, s 20

⁴⁸ Companies Act 2013, s 123

⁴⁹ Companies Act 2013, s 101

⁵⁰ Companies Act 2013, s 173(3)

⁵¹ Companies Act 2013, s 108

⁵² Companies (Management and Administration) Rules 2014, rule 20

⁵³ *Ibid*

provides convenience and can be accessed via e-voting on India's website. (Maintained with CDSL)

As a result

The provisions for e-governance stipulated by India's new company law, the Companies Act of 2013, comprehensively cover all areas of a company's activities, especially those of public limited companies, and are truly elegant for making all vital tasks of a company, such as proper document maintenance and inspection, efficient business operations, and flawless corporate administration and management, rather simple and cost-effective, amply tradable. In fact, such innovative and forward-thinking provisions for highly efficient and transparent e-governance were required in India's thriving corporate world in order to prepare it for rapid growth in today's fiercely competitive national and international business environments across all economic sectors.

Listed companies and large public limited companies are the first to adopt these e-governance provisions; as previously stated, the Government of India has provided them with broad and clear hints for the quickest possible [no time limit has been set] conversion of their statutory books of accounts and records from the physical mode to the electronic mode. Following suit will be the smaller to medium private corporations.

TECHNOLOGY AND DIGITALIZATION IN CORPORATE GOVERNANCE

Blockchain

Blockchains ("blockchains")⁵⁴ are distributed decentralized ("Decentralized") ledgers on which computer programs can conduct transactions and record transactions. Blockchain-based technology is beginning to provide alternatives to current corporate governance systems. Through coding, peer-to-peer networking, crowds, and collaboration, blockchain technology

⁵⁴ Adam Hayes, 'What is a Blockchain?' (*Investopedia*, 24 June 2022)

<<https://www.investopedia.com/terms/b/blockchain.asp#:~:text=A%20blockchain%20is%20a%20distributed%20database%20or%20ledger,maintaining%20a%20secure%20and%20decentralized%20record%20of%20transactions>> accessed 08 August 2022

can help remove agents as intermediaries in corporate governance.⁵⁵ Their most immediate applications include identifying shareholders at company meetings, tracking share transfers, and managing voting procedures.⁵⁶

Blockchain-based assurances incorporated in blockchain code can assist ensure that no party to a commercial transaction or agency relationship is able to go around the set of governance rules. Contract execution between principal and agent is only guaranteed on the blockchain if and when both parties have fulfilled all contract requirements and have verified them using a consensus process. As a result, a lower level of management and monitoring of agents in the blockchain infrastructure alters the cost structure of the principal-agent relationship.⁵⁷ Elimination of the intermediary assures shareholders and creates a sense of openness, and confidence among the stakeholders that no rigging of decisions or majority and any discriminatory practices have taken place, in short, the results are likely very accurate.⁵⁸ For perhaps the first time in human history, blockchain technology provides a neutral environment for players and institutions to interact. The donations of each member to an institution may be tracked in a completely transparent manner, and transparency is key to “good corporate governance”.

See below for an example of blockchain technology in corporate governance

Blockchain Types	Type		Read	Write	Commit	Example
	Open	Public permissionless	Open to anyone	Anyone	Anyone	Bitcoin, Ethereum
		Public permissioned	Open to anyone	Authorized participants	All or subset of authorized participants	Supply chain ledger for retail brand viewable by public
	Closed	Consortium	Restricted to an authorized set of participants	Authorized participants	All or subset of authorized participants	Multiple banks operating a shared ledger
Private permissioned “enterprise”		Fully private or restricted to a limited set of authorized nodes	Network operator only	Network operator only	External bank ledger shared between parent company and subsidiaries	

Source: Hileman and Rauchs (2017)

⁵⁵ *Ibid*

⁵⁶ Chiara Picciau, ‘The (Un)Predictable Impact of Technology on Corporate Governance’ (2021) 17(1) *Hastings Business Law Journal*

⁵⁷ Wulf A Kaal, ‘Blockchain-Based Corporate Governance’ (2021) 4(1) *Stanford J Of Blockchain Law & Policy*

⁵⁸ *Ibid*

The authority (Board) will have an identical copy of the public ledger and no special user rights. However, via transparent and live “smart contracts”⁵⁹ (“digital agreement”), the authority may exercise its oversight power and intervene in case of non-compliance to maintain the integrity of the “now good-governed transparent company.”⁶⁰

Automation and AI

The demands of a sort of Society 4.0⁶¹ are promoted by Industry 4.0.⁶² AI will be a common tool in the future age, or Society 4.0. An AI-supported corporate governance technique is our concrete illustration here. We first need to establish excellent standards and pillars for corporate asset handling in order to make this achievable. A blockchain will be used as the source of the AI's input data and will also help the achievement of some excellence standards.⁶³ Numerous instances of AI being used to make managerial decisions have produced favourable outcomes, leading many experts to make upbeat predictions about the development of AI in the future that can carry out the duties of governing bodies of a legal company. At the same time, the COVID-19 pandemic (“Pandemic”)-related global economic crisis may act as a new impetus for this digital transition. Working from the home, and conducting meetings; the majority of the businesses had to adapt to an online interface, which most companies and their employees adapted to without a hitch. The possibilities for integrating AI into corporate governance can be categorized into three categories: AI realism, where AI is seen as an assistant who can make the work of governing body members easier; AI enthusiasm, where it is assumed that an AI director will eventually take the place of governing body members; and AI radicalism, where there is the

⁵⁹ ‘What are Smart Contracts on Blockchain?’ (IBM) <<https://www.ibm.com/in-en/topics/smart-contracts>> accessed 08 August 2022

⁶⁰ Vedat Akgiray, ‘The Potential for Blockchain Technology in Corporate Governance’ (OECD *Ilibrary*, 25 June 2021) <<https://www.oecdilibrary.org/docserver/ef4eba4cen.pdf?expires=1655734777&id=id&accname=guest&checksum=5A0812FA5BD441B578846EF35A039DF5>> accessed 08 August 2022

⁶¹ Michael Haupt, ‘Society 4.0 Defined’ (Medium, 27 April 2021) <<https://medium.com/society4/society-4-0-defined-e8b3f7a92776>> accessed 31 August 2022

⁶² ‘Artificial Intelligence - The Driving Force of Industry 4.0’ (Seebo) <<https://www.seebo.com/industrial-ai/>> accessed 08 August 2022

⁶³ *Ibid*

potential to free AI from human control and create fully autonomous legal entities.⁶⁴ Further research has to be conducted by data scientists in this regard without a shred of doubt,⁶⁵ but the future looks bright with new possibilities to make corporate governance and technology intertwine more.

RISE IN THE NUMBER OF START-UPS & UNICORNS

With good governance, availability of corporate e-governance, and the transparency that the companies are required to disclose, it is natural that veterans as well as onboarding investors, feel safe to invest in newer ventures. Private investments by venture capitalists and angel investors are on the rise, leading to a rise in the number of startups.⁶⁶ Eventually, a few of these startups go on to become the ‘Unicorn’. Naturally, some of these Unicorns go public with their Initial Public Offering (“IPO”) and get listed on the stock market.⁶⁷

Examples of Unicorns going public

Zomato, Info Edge, Paytm, Freshworks, Policybazaar, MakeMyTrip, Nykaa, EaseMyTrip, and MaymyIndia.

With technology in tow and within arm’s length, the potential for marketing and scaling is tremendous. SMEs in India never had this sort of opportunity before but now thanks to Jio, were enjoying the internet boom of commerce here in India. Customer acquisition costs were negligible compared to before, and customer retention and service were as good as they could ever have been dreamt about.

⁶⁴ M A Tokmakov, ‘Artificial Intelligence in Corporate Governance’ (*Semantic Scholar*, 15 April 2020) <<https://www.semanticscholar.org/paper/Artificial-Intelligence-in-Corporate-Governance-Tokmakov/35674eb1486479db41fb475f28dece92414f9409>> accessed 08 August 2022

⁶⁵ *Ibid*

⁶⁶ ‘The Growth Story of Startups’ (*Drishti IAS*, 11 April 2021) <<https://www.drishtiiias.com/daily-updates/daily-news-editorials/the-growth-story-of-startups>> accessed 08 August 2022

⁶⁷ *Ibid*

Benefits of technology

- Compliance Management Software improves the company's overall legal compliance levels while being relatively cost-efficient. Bloomberg Compliance is one such management software.
- Atomization of online content, particularly, newsletters to the shareholders and existing customers.
- Websites that have dedicated Legal and Environment columns that the public can then view to see the complete picture of any company. Comparison of multiple corporations and their ethics becomes easier. Competition between entities creates good corporate governance out of necessity to please the end consumer and the public at large.
- Social media helps shareholders and stakeholders connect with their respective corporations and helps them be vigilant as to the social actions that a corporation partakes in; examples include- charities and activism. Companies changing their logos to relevant social causes/events like Black Lives Matter, Pride month, and Pro Ukraine, are essentially able to garner the public eye and elevate the company's acceptance of inclusivity; in return gaining a larger audience and making the shareholders happy.
- Technological usage ensures that best practices are displayed conveniently on most corporations' webpage itself.

OUTSOURCING: USE OF SAAS: WHAT IS SAAS?

Users/enterprises can connect to and utilize cloud-based programs through the Internet using the software as a service (SaaS). SaaS is a comprehensive software solution that you may rent from a cloud service provider on a pay-as-you-go basis. A user/top executive rents the usage of an app for your company (outsourcing), and the employees access it through the Internet, generally using a web browser. The service provider's data centre houses all of the underlying infrastructure, middleware, app software, and app data. The service provider is in charge of the hardware and software, and with the right service agreement, they will assure the app's

availability and security, as well as the protection of your data.⁶⁸ Essentially SMEs are able to grow as the burden of liability of securing data, is now outsourced from a “software specialized” company, the firm/business pays on a monthly basis which prevents the outdated of software as the outsourced SaaS company regularly updates the software. Unlike traditional means where the firm/business would have bought the software outright and down the line the software would have become outdated. Even if the outright purchased software was given updates from time to time, the use for that software might now not be needed by the firm/business for reasons like better alternatives or better solutions, then the software would be redundant. Basically, an unproductive asset.

Examples of SaaS

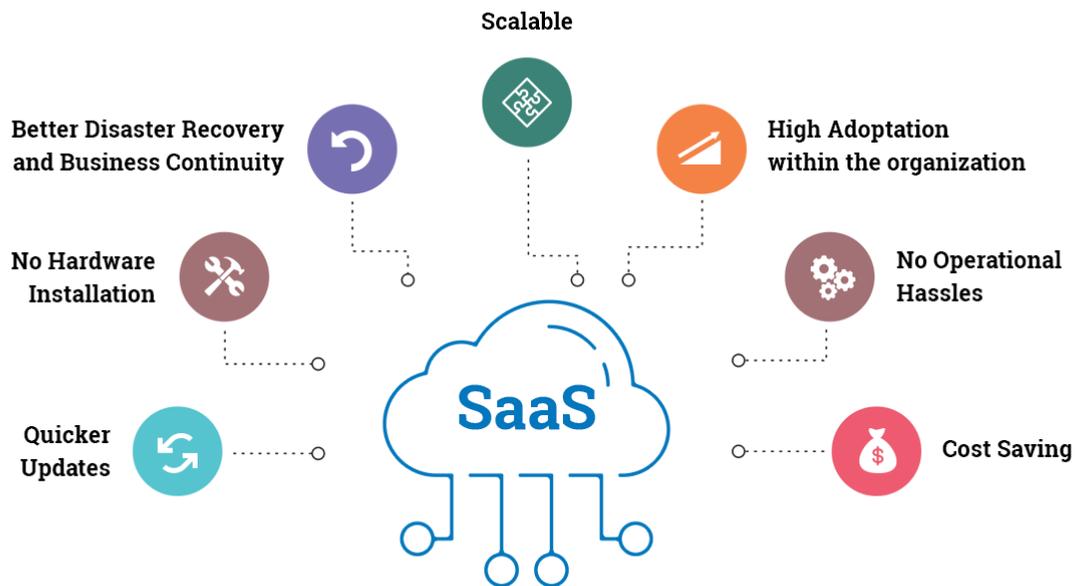
Email, calendaring, and office software are all common examples (such as Microsoft Office 365). Fundamental business applications such as sales management, customer relationship management (CRM), financial management, human resource management (HRM), billing, and collaboration.

IMPLEMENTATION OF SAAS IN CORPORATE E-GOVERNANCE

The methods and policies that organizations put in place to detect, regulate, manage and the usage of subscription-based software or SaaS in the company are referred to as SaaS governance. Cloud-based business applications using the SaaS model are in high demand, as it priced on a subscription basis and have a clear number of business advantages. Traditional business applications are slowly going out from the current IT plans of many companies. The ability of quick deployment and gamut of capabilities with lower investment risk has made SaaS solutions the first choice for many business managers. Companies are continuously looking for solutions that can fulfill the organizational requirement with data security on high priority, IT departments choose SaaS solutions that are the best fit in this case. Apogee is one of the top Cloud service providers to many global clients. Their cloud solutions are industry-specific,

⁶⁸ ‘What is SaaS?’ (Azure Microsoft) <<https://azure.microsoft.com/en-in/overview/what-is-saas/>> accessed 08 August 2022

robust, and cost-effective. The SaaS-based solutions are faster and can be deployed quickly with a lower upfront cost and zero risks. Startups can theoretically propel their growth, and, the eventual Holy Grail i.e., becoming a Unicorn and getting publicly listed is on their horizons.



STRIKING THE RIGHT BALANCE BETWEEN PROFITABILITY AND COMPLIANCE: MOVING FORWARD

Avoidance of stringent government policy that may jeopardize “Big Data”⁶⁹ or user-sensitive data. “Data” as a concept is very important to first and foremost the individual whose data is being shared with the company, and secondly, to a corporation, data is what keeps these organizations functional.⁷⁰ Naturally, the protection of such sensitive data becomes a high priority for corporations. Handling sensitive data and ensuring the preventative measures for its security in e-centric governance in an organization are present in case of a data breach, be it

⁶⁹ Stephen J Bigelow, ‘Big Data’ (*Tech Target*, 05 January 2022)

<<https://www.techtarget.com/searchdatamanagement/definition/big-data>> accessed 08 August 2022

⁷⁰ *Ibid*

cyber risks, DDoS attacks,⁷¹ and data leak among others is what makes and breaks the trust of its stakeholders, shareholders, and ultimately the public.

In face of changing legislations like sharing user/customer data with the government, it then becomes a question about whether to be compliant with the government or leaning toward ethical behavior and understanding the responsibility that the user/customer has tasked onto these organizations. Both options have a hint of corporate governance, complying with the legal provisions even if stringent or outright unethical, is still, “complying with the law;” which veraciously is a major part of “corporate governance”. Choosing the latter, i.e. preserving the integrity and moral values of the customers at all costs, must then be what “good” corporate governance means in modern times. A nation choosing to prioritize global compliance can be detrimental to its own economy. Therefore Government must instruct its policymakers to not be stringent in framing policies relating to compliance, so as not to harm the economy itself.

Example of this

Government employees are now not allowed to use VPNs⁷², and the new directions introduced forced VPN Companies to leave India as the Indian Computer Emergency Response Team (Government ministry) provided directions to service providers, intermediaries, companies, firms, and government organizations (collectively, “Entities”, and each an “Entity”) and is planning to introduce cybersecurity policies by June 27, 2022, in which companies are to report cyber-attacks a mere 6 hours (reporting) after they occur, to give Logs, Subscriber Data, to adhere to Time Protocols, and the Cert-In Cyber Security Directions clarifies that in case of not complying there are penalties that will be levied.⁷³ VPNs are frequently used to protect against hackers and snoopers on public networks, they can also be helpful for concealing your IP

⁷¹ ‘What is a DDoS attack?’ (Cloudflare) <<https://www.cloudflare.com/en-in/learning/ddos/what-is-a-ddos-attack/#:~:text=What%20is%20a%20DDoS%20attack,a%20flood%20of%20Internet%20traffic>> accessed 21 June 2022

⁷² Chiara Castro, ‘Government Employees Banned from using VPNs in India’ (Techradar, 20 June 2022) <<https://www.techradar.com/in/news/government-employees-banned-from-using-vpns-in-india>> accessed 08 August 2022

⁷³ Arun Prabhu & Arpita Sengupta, ‘The Cert-In Cyber Security Directions: More Questions Than Answers?’ (Cyril Amarchand Blogs, 24 May 2022) <<https://corporate.cyrilamarchandblogs.com/2022/05/the-cert-in-cyber-security-directions-more-questions-than-answers/>> accessed 08 August 2022

address, browsing history, and other personal information on any Wi-Fi network, including at home.⁷⁴ Complying with the new guidelines and rules will essentially make these VPN's redundant to the end consumer.⁷⁵ Whilst choosing to not comply will point them out to be as "bad actors" in the governments' eyes. ExpressVPN, Surfshark, and NordVPN all announced they will physically leave the country before CERT-in directives come into force on June 27, 2022.⁷⁶

Physically leaving the Indian soil will remove the jurisdiction barriers imposed,⁷⁷ whilst the users will still be able to access the VPN services via the internet. NortonLifeLock Inc., Okta, Inc., Fortinet, Inc., and Zscaler, Inc. are a few of the internationally listed VPN stocks.⁷⁸

Examples of over-complying destroying the economy [Environmental, Social, and Governance (ESG)]

- Sri Lanka was taking up sustainability and ESG (environmental, social, and corporate governance) issues and making them its top priority. ESG has now led to the collapse of Shri Lanka. It hastily decided to prioritize away from essential fertilizers in the waking cause of "ESG and its ratings" and has since along with the world watched its crop yields plummet. As a result, its inflation grew shy high to a record high of 45.3%⁷⁹ and the country's economy collapsed, and it defaulted on its debts.⁸⁰ As a result of the country

⁷⁴ Elle Poole Sidell, 'What is the purpose of a VPN?' (*Avast*, 2021) <<https://www.avast.com/c-do-i-need-a-vpn#:~:text=The%20main%20purpose%20of%20a,Fi%20network%20%E2%80%94%20even%20at%20home.>>> accessed 08 August 2022

⁷⁵ *Ibid*

⁷⁶ 'Nord VPN, Express VPN, Surf Shark Shuts Down India Servers: Here's Everything that Happened so far' (*The Indian Express*, 15 June 2022) <<https://indianexpress.com/article/technology/tech-news-technology/express-vpn-surfshark-shuts-down-india-server-heres-everything-that-happened-so-far-7958472/>> accessed 08 August 2022

⁷⁷ *Ibid*

⁷⁸ 'VPN Stocks List' (*Swing trade Bot*) <<https://swingtradebot.com/stocks-tagged-as/4952-vpn>> accessed 08 August 2022

⁷⁹ Sri Lanka May consumer prices soar 45.3% year-on-year, highest since 2015' (*Channel News Asia*, 21 June 2022) <<https://www.channelnewsasia.com/business/sri-lanka-may-consumer-prices-soar-453-year-year-highest-2015-2760481>> accessed 08 August 2022

⁸⁰ Peter Hoskins, 'Sri Lanka defaults on debt for first time in its history' (*BBC*, 20 May 2022) <<https://www.bbc.com/news/business-61505842>> accessed 08 August 2022

not being able to afford imports,⁸¹ Ranil Wickremesinghe (Sri Lanka's Prime Minister) declared a complete collapse of the economy, even unable to afford oil.⁸²

- ESG mandates driving hunger in the Netherlands as over 30,000 Dutch farmers⁸³ protest in Stroe (a village in the Netherlands) against the 30% reduction in the number of animals raised to lower the nitrogen oxide and ammonia load on land,⁸⁴ and with an already high cost of living, now it is witnessing an exponential increase in the cost of living.⁸⁵
- Netflix (Production Company) an American subscription company listed on the Nasdaq Composite Index,⁸⁶ at its peak, was valued at \$678 per share, and as of 21 June, 2022 is a mere \$170.27 per share. The stock has lost over \$50 billion, a 70% valuation. BlackRock owns 28.4 million shares of Netflix, representing 6.5% of total shares outstanding, according to the company's 13F filing as of March 31, 2020.⁸⁷ BlackRock has approximately \$10 trillion in assets under management (AUM). America's GDP is approximately just over \$20 trillion, and BlackRock's AUM is half that of America's GDP. BlackRock's founder and CEO Larry Fink, has talked and expressed that he and BlackRock are pro-ESG ratings and believe that companies should have a social reason for their existence. Netflix having captured the market globally was left with little-to-no room for scaling further, but was still enjoying economic growth until November-December of 2021. BlackRock's CEO in an annual open letter to CEOs (2022) made it clear that the Investment management company would prefer to invest in ESG-compliant businesses that believe in a social cause. Netflix in an attempt to entice investments

⁸¹ *Ibid*

⁸² Krishnan Francis, 'Sri Lanka PM says economy 'has collapsed,' unable to buy oil' (*AP News*, 22 June 2022) <<https://apnews.com/article/asia-economy-south-sri-lanka-cfc9c973d63a7c6f76e10ada8bf1591>> accessed 08 August 2022

⁸³ Nick Ottens, 'The Netherlands' Farm Crisis, Explained' (*Atlantic Sentinel*, 12 June 2022) <<https://atlanticsentinel.com/2022/06/the-netherlands-farm-crisis-explained/>> accessed 08 August 2022

⁸⁴ *Ibid*

⁸⁵ Alexander Furtula, 'Thousands of Dutch Farmers Protest, Fearing Government Cuts' (*AP News*, 22 June 2022) <<https://apnews.com/article/netherlands-the-hague-climate-and-environment-fcc706577d9e2e5d221141286f573158>> accessed 08 August 2022

⁸⁶ James Chen, 'What Is the Nasdaq Composite Index?' (*Investopedia*, 05 May 2022) <<https://www.investopedia.com/terms/n/nasdaqcompositeindex.asp#:~:text=The%20Nasdaq%20Composite%20Index%20is%20a%20market%20capitalization-weighted,a%20staple%20of%20financial%20markets%20reports.%20Key%20Takeaways>> accessed 08 August 2022

⁸⁷ *Ibid*

started producing “woke”⁸⁸ and borderline questionable content for their streaming platform, essentially making new on-coming content to be politically motivated i.e. Left-Wing (liberal, progressive, and social justice-themed) content.⁸⁹ And with the coronavirus pandemic (“Pandemic”) coming to an end, in-office jobs starting back up, having little to no time to spend watching and binging content for another year, people had enough of being cooped up in their houses due to quarantine, and also of the political content that Netflix was pushing out, the public at large distanced themselves with Netflix, eventually, the stock plummeted.⁹⁰

In all of the aforementioned cases, there is a clear case of virtue signaling. Trying to please the ESG ratings, and eventually hampering the economy as well as some of the corporations. It is the Indian Government that has to take imperative action and not destroy public trust (*See* the VPN example above). The Indian Government in December of 2021, at the IFSC FinTec conference, expressed its involvement in developing Quantum Simulators (QSim)⁹¹ that will enable the implementation of quantum programs, and AI; also described its plans and the success of UPIs toward digital inclusiveness.⁹² UPI has enabled access to uniform and direct bank-to-bank payment for the goods/services rendered to the customer. Corporate Governance is an ethically driven business process that is committed to the values aimed at enhancing an organization’s wealth-generating capacity.⁹³ UPI enables direct cash flow ensuring smooth and uniform financial auditing processes of the corporations to be carried out transparently. India still has a lot to learn about automation, despite a clear tendency toward focusing on end-user

⁸⁸ Karol Markowicz, ‘Netflix is proof Americans have had Enough of Woke Speech Policing’ (*New York Post*, 15 May 2022) <<https://nypost.com/2022/05/15/netflix-shows-americans-have-had-enough-woke-speech-policing/>> accessed 08 August 2022

⁸⁹ Todd Spangler, ‘Cuties Controversy: Surge in Netflix Cancellations Was Short-Lived, Data Shows’ (*Variety*, 25 September 2020) <<https://variety.com/2020/digital/news/cuties-cancel-netflix-account-surge-data-1234783460/>> accessed 08 August 2022

⁹⁰ *Ibid*

⁹¹ Nikita Rana, ‘Quantum Computing, Next Big Focus for ‘Digital India’: Arvind Krishna to ETILC Members’ (*The Economic Times*, 24 November, 2021) <<https://economictimes.indiatimes.com/news/india/quantum-computing-next-big-focus-for-digital-india-arvind-krishna-to-etilc-members/articleshow/87873971.cms>> accessed 08 August 2022

⁹² *Ibid*

⁹³ ‘Corporate Governance’ (*Electronic Pay*) <<https://electronicpay.in/corporate-governance/>> accessed 08 August 2022

experience and end-to-end optimization. All industries will experience a significant reduction in complexity, operational expenses, and lack of flexibility as a result of the transition from hardware to software.⁹⁴ Additionally, using the hybrid cloud infrastructure strategy will help clients with portable and customizable integration by combining public and regulated clouds. Quantum computation will exponentially reduce emissions, and put the goal of limiting global warming within reach.⁹⁵

CONCLUSION

Denial in accepting that e-governance in corporations is ever-changing and needs the vigilant contribution of the Public is plain ignorant. As technology keeps grasping corporations, the government and the nay-sayers might try and unknowingly cripple the fast-paced growth by over-legislating and rioting to correct the presumed ‘morally bad’ avenues the corporations may be indulged in. To counter THIS, the newer generation has to voluntarily partake in electing the right representatives that have clear and definitive views regarding the advent of technology and rationale to catapult its growth, and are less likely to not curb the same growth instead.

Research incentives by technological organizations to get the word out and create vigilance amongst the masses are predominant. An example of sponsored research in technology is the “2017 Global Blockchain Benchmarking Study,” sponsored by Cambridge, Visa, and others.⁹⁶ Similar strides in India, particularly with the Open Network for Digital Commerce (ONDC network) and its goal of terminating the monopolies of MNCs, some publicly listed, operating in commerce must be studied; *stringent or accommodating for domestic businesses? Detrimental to stakeholders, and shareholders of these MNCs? Will ONDCs be a technological tool for connecting and advancing corporations, and businesses, to strive for better corporate governance in wake of further inclusivity? And finally, will it disrupt the state of affairs of corporate governance in these MNCs?*

⁹⁴ *Ibid*

⁹⁵ Peter Cooper & Ors, ‘Quantum Computing just Might Save the Planet’ (*McKinsey Digital*, 2022) <<https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/quantum-computing-just-might-save-the-planet>> accessed 08 August 2022

⁹⁶ Garrick Hileman & Michel Rauchs, ‘Global Blockchain Benchmarking Study’ (*SSRN E-Journal*, 22 September 2017) <<https://ssrn.com/abstract=3040224>> accessed 08 August 2022