



# Independent Directors of a Company: The Need for an Indian Model

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## ARTICLE INFO

## ABSTRACT

The corporate governance jurisprudence in a developing country envisages different goals in its policies which go much beyond simply profit making utilitarian initiatives of developed countries. Transparency, accountability, proportionate representation are few of the good governance practices adopted in countries having concentrated ownership structures. Independent directors are non-executive directors who are appointed to the board of a company to provide an objective and unbiased perspective on corporate decision-making. They are expected to act in the best interests of all stakeholders, including shareholders, employees, customers, and the wider community. The role of independent directors has become increasingly important in recent years, particularly in the wake of corporate scandals and failures. Independent directors are expected to bring a diverse range of skills, experience, and perspectives to the board, and to challenge management where necessary to ensure that the best interests of all stakeholders are being served. However, the role of independent directors is not without its challenges. They are expected to have a deep understanding of the company's operations, financial performance, and strategic direction, while also maintaining their independence and objectivity. They must also navigate complex relationships with other board members, management, and shareholders, and must be able to balance the interests of different stakeholders. The issues so far having been addressed by the Companies Act, 2013 was reduction in their liability, ensuring presence of independent director in the board as one-third of the board quorum, provision for appointment of director by small shareholders, provisioning for a data bank directory for independent directors etc. The article envisages to examine the contextual irregularity of the institution of independent directors under the Companies Act, 2013, through the lenses of protection of rights of minority shareholder, due to lapse in insight into the Indian insider model of corporate governance.

**Keywords:** Corporate Governance; Shareholder Activism; Minority shareholders; Controlling Shareholders

## INTRODUCTION

Corporate Governance has been a buzz word ever since The Companies Act, 2013 has been enforced. The Cambridge English Dictionary defines corporate governance<sup>1</sup> as the way in which a company is managed by the people who are working at the highest level in it. Corporate Governance, according to the Cadbury Committee (1992), is the "system by which companies are directed and controlled." However, there have been various definitions of corporate governance, depending upon the understanding of the purpose and the objective of the corporation. The definitions can be grouped into two broad categories, which differ in approach. The first approach takes a narrow view of Corporate Governance laying stress on the maximization of the shareholder's share value. The second approach takes a broader view of the purpose of the corporation and gives stress on promotion of the best interests of all stakeholders, as opposed to the interests of only the shareholders. The stakeholders include the shareholders and other legitimate claimants.

<sup>1</sup> CAMBRIDGE ENGLISH DICTIONARY, 460, (10<sup>th</sup> ed. 1999).

Corporate Governance functions on various principles and theories one of them being the protection of interests of the shareholders. Shareholder Activism is an important realm of Corporate Governance. The new Act of 2013 has brought in several mechanism of voting to enable participation of shareholders. These transformative changes have been a transformative move yet there are contextual irregularities existent in the Act which act as a hindrance in paving way for a robust system of governance. The dominance of controlling shareholders in most Indian companies operates to dampen the effects of shareholder activism.

A well constituted corporate governance structure in a company provides credibility and develops trust among the shareholders, which in turn helps in the market position and performance of a company. The board of directors performs a crucial role in this aspect. But as far as the executive directors are concerned, their main goal is to maximize the profits of the company. The rights of the minority shareholders, who have no or very minimal representation in the company is often sidelined as the decision making is so as to maximize and the interests of the minority is not considered. The evidence for such is the majority of cases filed in the Company Law Board (before 2013; currently known as NCLT) is of oppression and mismanagement (Section 241, Companies Act, 2013). Here the duty of the non-executive directors becomes pertinent, as they are independent of company's day to day affairs, have the duty to safeguard their rights by way of monitoring incidents of maladministration, which poses as a loss to the shareholders, and use their power to stop them.

India has been among the few countries to bring Independent Directors in line with its Companies Act, 2013. Earlier before the 2013 Act was enforced, clause 49 of the Listing agreement<sup>2</sup> (SEBI Guidelines) provided for the mandatory provisioning, of the Independent directors which has been added as a significant change in the new companies Act. The added aspects of the new Act are one-third of the board of listed companies has to be made up of independent directors<sup>3</sup>, addition of improvement on the term of independent directors (not more than two successive five-year terms) which is highly promising for good corporate governance.

### **INDEPENDENT DIRECTORS AND CORPORATE GOVERNANCE**

The role of Independent directors in ensuring Corporate Governance is immense and challenging. Independent directors have a crucial role to play in adding Shareholder value. They do so by developing company strategy, both at a national and international level, by enabling more effective management of risk and prevention of loss or fraud to secure rights of shareholders. They have been aptly been referred as both the coach and the referee in the board as they perform the dual role of advising and monitoring. They help in guiding strategy, thinking, perception and understanding of risk. One of the most crucial aspect of their functioning is not getting involved with the internal affairs of the company, which provides credence and respect to their position.

To achieve the aspect of independence from the day to day affairs of the company and maintain a proximity from the promoters and controlling shareholders in the company is easier said than done. The models of ownership of the companies are a great contributor to the determination of corporate governance mechanisms for interest protection of shareholders. In Indian scenario, a majority of the top rated companies eg Tata, Birla, Reliance are family owned and hence it becomes difficult for them to trust an outsider with their business. So, they usually hire a person from their circle of contacts who will agree with their decisions, thereby defeating the purpose for which such Independent Directors are appointed.

The institution of Independent Directors has been drawn into concerned debates even after the introduction of new stricter norms under the companies Act, 2013. Independence of directors is a critical part of Corporate Governance mechanism. Indian Corporate Governance models rely heavily on those in the United States of America and the United Kingdom from the recommendations of Cadbury Committee 1992 of the United Kingdom and the Sarbanes-Oxley Act of 2002 of the United States.

In order to study loopholes in the mechanism and functioning of an Independent Director, this article throws light on the major theories of corporate governance, the problems they pose and the models on which the mechanism of corporate governance is formulated.

### **MODELS OF CORPORATE GOVERNANCE**

The problems posed by the corporate governance theories is There are two models of corporate Governance models, the insider model and the outsider model. These models are based on the ownership patterns of a company i.e dispersed ownership and clustered ownership. For the purpose of this study, the models have been discussed keeping in focus the models of The United States and United Kingdom and India, i.e. the country of origin of Independent Directors and the subsequent adoption made by Indian Legislature.

The United States and the United Kingdom

The US and UK model follows the outsider model of corporate governance, the core features of which are: "1) dispersed equity ownership with large institutional holdings; 2) the recognized primacy of shareholder interests in the company law; 3) a strong emphasis on the protection of minority investors in securities law and regulation; and 4) relatively strong requirements for disclosure."<sup>4</sup>

<sup>2</sup> LODR Regulations, 2015

<sup>3</sup> Companies Act, No. 13 of 2013, Section 149

<sup>4</sup> Umakanth Varottil, "Evolution And Effectiveness Of Independent Directors In Indian Corporate Governance", 10, Hastings Business Law Journal, Vol. 6, No. 2, 2010,p 5

The share ownership models of UK and US are usually not clustered. The pattern of shareholding is dispersed and held by large institutions and not family controlled.. These institutional shareholders donot exhibit interest in the internal matters of the company except for their own financial investments. Due to the existence of diffused shareholding and the separation of ownership and control, the primary effort of corporate law in these jurisdictions is to curb the “agency costs arising from self-serving managerial conduct,” by acting as a check on the activities of managers and by enhancing their accountability towards shareholders.<sup>5</sup>

In these countries, shareholding is diffused and it is not common to find companies that have a dominant or controlling shareholder.<sup>6</sup> This pattern of holding has been agreed as an outsider model of corporate governance. The primary agency rift is between the managers and share holders. The egalitarian nature of the developed country has lower scope for concentrated ownership models of development model.

India

India follows the insider model of corporate governance, which is characterized by cohesive groups of “insiders” who have a closer and more long-term relationship with the company.<sup>7</sup> The listed companies also donot escape this identity. his is true even in the case of companies that are listed on the stock exchanges. The member of the family are usually the contolling shareholders with whom the maximum shares lie. The controlling word is often used in this sense as they are able to have a dominant control in the decision making of the day to day affairs. The rest of the shareholding is in diffused capacities by the public constituting individuals and the institutional shareholders. The insiders (who are essentially the controlling shareholders) are the single largest group of shareholders, with the rest of the shareholding being diffused and held by institutions or individuals constituting the ‘public’. The insiders typically have a controlling interest in the company and thereby possess the ability to exercise dominant control over the company’s affairs. In such a situation the say of the minority shareholders is so curbed that they are not able to outvote any decision of the controlling shareholders.

This capacity of control brings the dominant shareholders an exercise of right over the entire board which they can appoint and dismiss them at their will. They can even appoint themselves in the board or as managers in the senior managerial positions.

## THEORIES OF CORPORATE GOVERNANCE

### AGENCY THEORY

Agency theory is used to understand the relationship between the agents and principals. The agents are expected to act according to the common will and interest of the company. The common will of the company is represented through the Board of directors, who act as the agents of the shareholders, who are the principals. The principal’s best interest is preserved by the agent in their absence. Depending on the nature of representation and conflict of interest that may arise, there are instances of the principal deferring from the best interest of the agent. These disagreements and conflicting interest may arise setbacks to the business efficiencies and profits. This is often referred as the principal-agent problem. The company in its governing capacity ought to reduces these conflicts through better management techniques. Understanding the mechanisms that create problems helps businesses develop better corporate policy.

### AGENCY PROBLEMS: STRUCTURE IN UNITED STATES, UNITED KINGDOM AND INDIA.

The effort of corporate law is to “control conflicts of interest among corporate constituencies.”<sup>8</sup> These conflicts are referred to in economic literature as “agency problems.” Corporate law and corporate governance literature define three generic agency problems.<sup>9</sup> The disagreement between the company's managers and the shareholders is the first agency issue. Such conflict is prevalent primarily in jurisdictions where corporate shareholding is dispersed. Due of difficulties with collective action, shareholders are unable to effectively oversee managers' conduct. The second concerns the conflict between the minority shareholders and the majority or controlling shareholders. The "majority-minority agency problem," as this conflict is known, is most common in jurisdictions with concentrated shareholding, where the interests of minority shareholders are greatly diluted. The conflict between shareholders and management and other stakeholders (such as creditors, employees, consumers, and the general public) is the third agency problem.<sup>10</sup>

### ROLE OF ID

The agency problem has thrown light on the existing inadequacies in the various voices of the companies. In light of the same the role of the Independent Director in a company is determining. They have a dual role of managing competing interests of the shareholders and the management.

<sup>5</sup> *Supra* Note 4, at 6

<sup>6</sup> *Supra* Note 4, at 6

<sup>7</sup> *Supra* Note 4, at 7

<sup>8</sup> REINIER R. KRAAKMAN, ET AL., “THE ANATOMY OF CORPORATE LAW: A COMPARATIVE AND FUNCTIONAL APPROACH” (2004).

<sup>9</sup> *In Gen.* Umakanth Varottil, “*Evolution And Effectiveness Of Independent Directors In Indian Corporate Governance*”, 10, *Hastings Business Law Journal*, Vol. 6, No. 2, 2010.

<sup>10</sup> *Id.* at 8.

**"Watchdog" for Public Shareholders:** The independent directors exercise vigilance on behalf of minority shareholders in contexts such as potential self-dealing transactions involving the controlling shareholder and the company, as well as minority freeze-out transactions proposed by the controlling shareholder. In such cases they act as a protector of the interest of the minority shareholders comprising of institutional buyers and individuals. Even though the director may not have the voting power to stop these types of activities, he or she has the power to make public any wrongdoing, and while the controlling shareholder could remove the director or take other retributive measures, such actions would likely cause unwanted public scrutiny.<sup>11</sup>

Outside the purely transactional context, independent directors may also be well suited to maintain standards of professionalism within the boardroom and promote adherence to best practices of corporate governance. This additional type of monitoring provides public shareholders with added confidence that the board and the company are not being run informally and casually at the behest and solely for the interest of the controlling shareholder.<sup>12</sup>

**Strategic Advisor to the Controlling Shareholder:** Independent directors may also be viewed as strategic advisors who can provide their expertise and experience on business matters to the firm's management or controlling shareholder. In this role they may serve to enhance firm value by helping the firm make better business decisions and by helping the firm tap into the director's wealth of business and political connections.

### ANALYSIS

On competing role of Independent Director: The roles of independent directors that are discussed above are competing to each other and they have to maintain a very fine balance between both of them. The role as an advisor to the management as well as a watchdog protecting the interest of the minority shareholders are not easy to balance and often makes them land in a controversial condition. Their supporting the minority shareholders may get the management against them.

Further, the time needed to be a strategic advisor may differ considerably from that needed to be a "watchdog". The latter likely requires more ongoing and consistent oversight, whereas the former may require only more limited and discrete time commitments. Despite the general perception in the public that independent directors ought to serve as watchdogs, it would appear that the strategic advisory role may be more suited to the actual functioning of boards, given that very few boards meet more than once every two months. Hence the function of watchdog has been easily compromised with.

### INSTANCES OF FAILURE OF THE INSTITUTION OF INDEPENDENT DIRECTORS IN INDIA

Corporate history is replete with examples wherein this institution of independent directors has failed. The provision under The Companies Act 1956 was imposition of a high liability imposed upon the independent directors in case a fraud is discovered subsequently. This resulted in a large scale scare amongst the existing independent directors. Post 2013, the Companies Act, 2013 reduced the liability of these independent directors under its clauses which in turn has posed new problems as the real issues of appointment of Independent Directors at par with the Indian scenario looking into its typical agency problems has been widely overlooked.

### ROLE OF INDEPENDENT DIRECTORS: IN LIGHT OF SATYAM SCAM

The Satyam Computers scam is one of the biggest corporate frauds as of January 7, 2009, wherein several independent directors resigned prior to the declaration about the company by the chairman B Ramalinga Raju as bankrupt. There were several manipulations in the accounts and false statements in the financial statements wherein Rs. 5040 crores out of a cash and bank balance of Rs. 5361 crores was fictitious, reducing the value of the company to almost zero.

There was a sudden lapse in the share price of the company by 71% followed by its delisting by all the major stock exchanges. The news was shocking to the shareholders and other stake holders given the high reputation of the company. It was surprising as to how the fraud and manipulation of accounts for seven consecutive years could not be detected by the company's accounts department, internal auditors, whistle-blowers, employees, statutory auditors, Audit Committee of Independent Directors or the Board of Directors. It brought forth the credibility of the internal controls, the effectiveness of the independent directors, Audit committees and the role of regulator.

A Special Court in Hyderabad on 8<sup>th</sup> December, 2014 charged four Independent Directors of the Company as liable. The court upheld the accusation by the Serious Fraud Investigation Office, and charged them with misreporting in the Board Report and Director's Responsibility Statement, which, over the years, had been

<sup>11</sup> Vikramaditya Khanna; J. Shaun Mathew, "The Role of independent Directors in Controlled Firms in India", 41 (Preliminary Interview Evidencer, 22 Nat'l L. Sch. India Rev. 35, 2010) found at heinonline.com. at 46

<sup>12</sup> *Id.*



approved in various board and committee meetings. The punishment inflicted on errant independent directors, apart from financial penalties, was not to sit on Boards in the future.

### ON ABSENCE OF INDEPENDENT DIRECTORS

In 2015, that is after 15 years of independent directors being introduced in the boards, 25 out of 48 Public Sector Undertakings did not have an Independent Director in its board. The news in the Economic times read, "When it comes to the composition of the board of directors, most publicly traded state-run companies don't seem to conform to listing rules. Out of the 45 such public sector units,<sup>13</sup> have not even one independent director, raising questions on board oversight mechanism and the independence of decision-making. They included top names such as Coal India, State Bank of India, Punjab National Bank, National Building & Construction Corp and GAIL, show data compiled by Delhi-based Prime Database. The government and regulators have no moral authority to take action against private sector companies for corporate governance violations," said JN Gupta, former executive director of the Securities and Exchange Board of India. "PSUs have miserably failed incorporate governance and nobody in the government seems to care. Almost all PSU banks do not have a single independent director," he said."<sup>14</sup>

This shows a very critical condition of Indian Corporate Governance mechanism. It is a glaring example of the provision of independent directors not being adhered to in India. It shakes the very foundation of the corporate governance mechanism.

In US, in two cases, Weinberger v. UOP Inc<sup>15</sup>, and Unocal v. Mesa Petroleum<sup>16</sup>, the Delaware courts were very critical of the absence of an independent board exercising a monitoring oversight, in these companies. The courts suggested in both the cases that a board with majority of Independent Directors would have greatly resolved the inherent conflict of interest in the company's decision making process.

### APPOINTMENT OF INDEPENDENT DIRECTORS: REAL SCENARIOS

An Independent Director should have no personal or economic relationships that could impair his ability to act. The relevant ties are not only those with the company and its management, but also those with the other directors; any significant relationship with any of these subjects might in fact have an improper influence on an Independent member of the board. In addition to identifying a number of specific types of connections that would normally endanger the director's independence of judgment, the existing Independent Directors should affirmatively determine that a candidate director has no other relationship that, regardless of its nature, could have such an effect. This open-ended approach allows all ties to be taken into consideration, including personal friendships and social links that might have a material influence.

### LIABILITY OF INDEPENDENT DIRECTOR: NIMESH KAMPANI EPISODE

The liability clauses of the Companies Act, 1956 that inflicted penalties upon the independent directors despite not having the knowledge of the wrong actions taken by a promoter brought out the risk involved in the post and promoted high insecurities among them.

"Compounding the fears of Indian independent directors in 2009 was the experience of Nimesh Kampani, one of India's leading investment bankers. Kampani, the billionaire founder of the JM group of companies, served as an independent director on the board of Nagarjuna Finance from 1998 to 1999. The promoters and executives of Nagarjuna were later charged under the Andhra Pradesh Protection of Creditors Act for failing to repay depositors nearly Rs. 100 crore (- US\$20 million) during 2001-2002. Notably, the Andhra Pradesh law provided for significant jail time as a punishment: where any financial establishment defaults in the return of a deposit either in cash or kind, or defaults in the payment of interest, every person responsible for the management of the affairs of the financial establishment including the promoter, manager or member of the financial establishment shall be punished with up to 10 years' imprisonment and with up to Rs 100,000 fine."<sup>17</sup>

The Government in addition to charging the promoters of the company also charged the independent director, Mr. Kampani who had resigned prior to discovery of the accusations. He escaped arrest by fleeing to Dubai till the arrest was stayed in the court.

Observation: While many have deemed Satyam to be a "one-off" blemish with respect to India's corporate governance, and while the Nimesh Kampani incident could be framed as more politically motivated than reflective of a broader trend in liability of Indian independent directors. Their worry that they could be put in jail, and beheld financially liable and have their reputations tarnished for actions perpetuated without their knowledge by promoters, many of these independent directors began resigning in big number.

<sup>13</sup> 244/NCLT/MAH/2016; MANU/NC/0280/2017

<sup>14</sup> <https://economictimes.indiatimes.com/news/company/corporate-trends/out-of-45-psus-no-independent-directors-in-28-including-coal-india-sbi-pnb-gail/articleshow/48459997.cms>

<sup>15</sup> 475 A. 2d 701, 710 (Del. 1983).

<sup>16</sup> 493 a.2D 946 (Del. 1985).

<sup>17</sup> Vikramaditya Khanna; J. Shaun Mathew, "The Role of independent Directors in Controlled Firms in India", 41, Preliminary Interview Evidencer, 22 National Law School India Review 35, 2010,

From the date of Raju's confession through January 8, 2010, 935 of India's independent directors left the boards of Indian companies, of which 619 departures were classified as resignations. News reports citing the same database reported nearly 300 departures by late May, indicating that the rate of departure hardly abated over the course of the year.<sup>18</sup>

These mass resignations highlight a significant problem for corporate India: the roles of independent directors in Indian companies and their attendant liability risks are not well understood in the legislative discourse.

### **REMOVAL OF INDEPENDENT DIRECTORS: IN LIGHT OF CASE OF CYRUS MISTRY**

The manner of removal of the independent director is just as any other director by a simple majority which is easy to achieve as the controlling shareholders have a great influence on the board. In the case of removal of Cyrus Mistry, the majority of independent directors backed the oppressive management's decision of removal of Mistry. The only director who opposed the view of the management was himself removed by the Board by a simple resolution. This shows that the independent directors in the company however qualified cannot dare to raise their voices as they can be easily removed by the board like any other director. This defeats the entire purpose for which the independent directors were appointed in the first place. An approach to curb this absolute power with the board needs to be taken. In the case of Cyrus Investments Pvt. Ltd. And Ors. V. Tata Sons Ltd. And Ors.<sup>19</sup>

Removal of Cyrus Mistry as chairman was removed for raising issues of mismanagement. It amounted to the majority shareholders suppressing the right of the minority to ask questions about matters involving the company. The independent director who stood against the voting resolution of Mistry was also removed. Mistry filed a case in the NCLT under oppression and mismanagement.

Observation: The lacunae that these cases throw on the system of corporate governance in the family-owned businesses in India is that the will of these majority shareholders is often oppressive and arbitrary which in times may go against the public interest existing in the form of the minority shareholdings in these companies. Any voice of disagreement to the majority will is met with stern action and even goes to arbitrary removal of the independent director who voted in favour of Cyrus Mistry for the oppressive conduct of the management against him.

### **CONCLUSION**

India has an unequal distribution of resources unlike the United States which has an egalitarian society. The companies in the United States have a dispersed ownership of shares, while in India it is majorly concentrated in few hands. India faces the majority-minority agency problem while United States faces the problem of shareholder-manager agency problem. Hence the laws framed in United States concentrate on Benthamite utilitarianism, wherein profit making is concentrated. Whereas in the scenario of a family-owned listed company the majority shareholders who run the business can easily carry out an oppressive management which can result in losses to the shareholding of the public and other institutional shareholding held in a smaller percentage. The tussle for just governance is therefore between majority and minority shareholders. The presence of the Independent Directors in the board ensures that the oppressive corporate practices of these majority shareholders are monitored. The absence of minority shareholder's participation in the process of selection of the independent directors poses a threat to their rights in the board. The models of US and UK which have an equal representation of all shareholding in the board hence do not concentrate on these aspects of appointment of Independent director which requires them to look out for the rights of these minority shareholders in appointment of an Independent Director of their choice.

The institution of independent directors in India has often been referred to as a toothless tiger. When chairman of Satyam Computers, publicly admitted to cooking the company's books over several years, what shocked the investors the most was that none of the independent directors could spot the discrepancies in the books of the company. The boardroom battles of Cyrus Mistry, the appointment of BJP spokesperson Sambit Patra in a government company, and the Coal India case where the public sector company went without an independent director for more than ten months are just a few examples of how mismanaged the corporate governance is. And most recently, Infosys, which had been long considered the benchmark for good corporate governance practices in India, has seen its board come under attack. After these and more incidents like this, SEBI Chairman also expressed his views on the role of Independent directors "Auditors' committee is not working and that the independent directors are not independent." This is a serious issue which is engaging the attention of SEBI.

Corporate governance is a mechanism to put a check on the will of the directors influenced by promoters, who might go against the interest of the company inclusive of all its shareholders. It calls for an inclusion of minority shareholders in order to make the entire decision-making process a more democratic one. The theories show that the managers are assigned to take care of the shareholders' wealth. And the interest of all the shareholders

<sup>18</sup> Reputation at Stake? 340 Independent Directors Quit in 2009, Business Standard, May 14, 2009, available at: <http://www.business-standard.com/india/news/reputation-atstake-340-independent-directors-quit-in-2009/08/06/61615/> (last accessed 10<sup>th</sup> October, 2023).

<sup>19</sup> 244/NCLT/MAH/2016; MANU/NC/0280/2017

should be taken into consideration. Utmost reliance on the board of director's decision can prove fatal to the interest of these shareholders. The minority shareholders or the investors might be the most affected parties in it. The shareholder's interests can be taken care of only if there is a neutral party to monitor the work of the executive directors.

To venture into the problem of real independence of independent directors is altogether another field of analysis. But the inability to address an issue according to our ownership model of corporates is certainly a legislative lapse. The management of directors who work in the will of the majority shareholders in these companies. Keeping in view the concentrated ownership structure of Indian companies, the following are the suggestions to bring the institution of Independent Directors at par with the prevailing circumstances:

- Appointment of Lead Independent Director who looks into the matter of appointment and removal of Independent directors in the company instead of the controlling shareholders..
- Appointment: The current system of selecting independent directors is ineffective. Directors often select people of their choice to comprise the board, which can lead to conflicts of interest. To address this challenge, a compulsory databank of names of independent directors should be created from where the independent directors can be selected. This will ensure that independent directors are selected based on their qualifications and experience rather than personal connections.
- Minority shareholders should be given more representation on the board, and their views should be taken into account when making important decisions. This can be effected by appointment of Independent Directors for minority shareholders compulsorily.
- Information symmetry. A structured agenda and uniform MIS should be created so that each director knows what and where to look at. This will result in better and clearer understanding, thereby ensuring effective participation with better results and less fear of going wrong.
- Capacity building and training of directors is also essential to ensure that directors remain abreast of various developments and are adequately equipped to discharge their duties with full involvement and understanding. A proper induction program at the time of appointment of independent directors, continuing training programs, and executive sessions are essential to ensure that directors remain up-to-date with various developments.

By addressing these challenges, independent directors can play a more effective role in corporate governance, safeguarding the interests of all stakeholders and promoting sustainable growth. It is essential that the Indian government and regulatory bodies take these suggestions into account and work towards creating a more conducive environment for independent directors to operate in. Only then can we ensure that independent directors can fulfill their role in promoting transparency, accountability, and good governance in Indian companies.

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