THE ROLE OF INSTITUTIONAL INVESTORS IN CORPORATE GOVERNANCE OF LISTED COMPANIES IN INDIA: A CRITICAL ANALYSIS WITH REFERENCE TO STEWARDSHIP CODES

A Thesis submitted to the

UPES

For the Award of

Doctor of Philosophy

In

Law

By

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Supervisor

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Dehradun- 248007, Uttarakhand

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DECLARATION

I declare that this thesis titled "**THE ROLE OF INSTITUTIONAL INVESTORS IN CORPORATE GOVERNANCE OF LISTED COMPANIES IN INDIA: A CRITICAL ANALYSIS WITH REFERENCE TO STEWARDSHIP CODES**" has been prepared by me under the guidance of Dr. Shikha Dimri, Professor of School of Law, UPES. No part of this thesis has formed the basis for the award of any degree or fellowship previously.

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Date: 6 August 2023

CERTIFICATE

CERTIFICATE

I certify that Abhishek Sinha has prepared this thesis titled "**THE ROLE OF INSTITUTIONAL INVESTORS IN CORPORATE GOVERNANCE OF LISTED COMPANIES IN INDIA: A CRITICAL ANALYSIS WITH REFERENCE TO STEWARDSHIP CODES**", for the award of PhD degree of the UPES, under my guidance. He has carried out the work at the Department of Law, Management & Technology, School of Law, University of Petroleum & Energy Studies (UPES).

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ABSTRACT

Corporate governance design in emerging jurisdictions like India relies heavily on the core ownership structure and internal management policies of the entity, apart from being guided by the applicable laws. Research has examined the relationship between ownership and good corporate governance, but the role of institutional investors in strengthening corporate governance is inconclusive.

The role of institutional investors in strengthening corporate governance is inconclusive, as the announcements of corporate governance guidelines have increased stock prices in some western jurisdictions. In India, institutional investment activities have a short history, with only a few institutions operating in the Indian market before the economic reforms in 1991. Post-economic reforms, the environment for institutional investors expanded, with government policies promoting private participation and foreign investments in Indian financial markets. Institutional investors can be classified as Mutual Funds (MFs), banks and financial institutions, AIFs, and Foreign Institutional Investors/Financial Portfolio Investors (FPIs). SEBI regulates investments by institutional investors, and listed companies are required to disclose ownership patterns. This research study focuses on both the domestic, as well as the foreign institutional investors in Indian listed companies, examining their stewardship role in improving the corporate governance in their respective investee companies.

The hypothesis tested for this research study is that institutional investors play an active role in good corporate governance in their respective Indian listed companies.

The study aims to provide insights into the role of institutional investors in enhancing corporate governance in Indian listed companies and their potential

impact on the overall business environment. The research methodology is a mix of doctrinal and empirical research methods, with the panel dataset providing several advantages over conventional time-series and cross-sectional datasets.

The literature review examines various corporate governance theories, including agency theory, stewardship theory, resource dependence theory, institutional theory, and stakeholder theory. Stewardship theory focuses on empowering senior management rather than monitoring and controlling them, suggesting that CEOs are more invested in the firm's performance and success than shareholders. However, the stewardship construct is generally stirred by the cultural ecosystem of the company; and in most cases is unable to take into consideration the wide-ranging interests of the several stakeholders of the company.

More research is needed to fully understand the impact of institutional investors' activism on corporate governance and develop more effective stewardship codes and guidelines for institutional investors.

The present study investigates five prominent ideas in the field of corporate governance, namely agency theory, stewardship theory, resource dependence theory, institutional theory, and stakeholder theory.

This research investigated how institutional investors might assist in improving the corporate governance situation in Indian listed companies. The analysis is based on the stewardship theory, specifically the stewardship codes applicable to institutional investors in India. During the period selected for research, almost all the Institutional Investors participated in the corporate governance of their public listed investee companies, with a generalization of the conclusion that participation was mostly in the super majority.

In order to arrive at the answers to the following questions, the data of all the Sensex 15 companies (basis on market capitalization) have been analysed for the period 2018-2022: (a) Whether institutional investors play a role in corporate governance?; and (b) Whether institutional investors actively participate in good corporate governance in their respective Indian listed investee companies?

Further, in order to understand whether institutional investors comply with their respective stewardship obligations, the data set of the following were considered: (a) top 10 largest insurance companies (from a market capital perspective); (b) top 10 largest equity AIFs; and (c) top 10 largest mutual funds in India. have been considered. The above data points, helped in analysing the following questions: (a) Whether institutional investors have formulated a comprehensive policy on their stewardship obligations and have disclosed the same?; (b) Whether they have included the requirements in their respective stewardship policies.

The study concludes that institutional investors play an important role in corporate governance in Indian listed companies, actively participate in resolution approving processes, generally cast their votes on resolutions placed in shareholders meetings, disapprove or show resistance relating to approving accounts and dividends, and sometimes show resistance or vote against the appointment/reappointment and remunerations of directors and key managerial persons. They comply with their respective stewardship obligations as set out in the SEBI Stewardship Code, have formulated a comprehensive policy on their stewardship obligations, and have included components in their stewardship policies, such as managing conflicts of interests, intervention in their investee companies, collaboration with other institutional investors, and voting and disclosure of voting activity.

This study suggests several recommendations for good corporate governance of listed companies with institutional investors as shareholders. These include implementing hard law instead of guidelines, mandatorily following the SEBI Stewardship Code, conducting regular audits of institutional investors, maintaining proper documentation, making public documents available, and ensuring fiduciary obligations for institutional investors.

Efficient, effective, and collaborative communication between institutional investors in the same listed company is also recommended. This can be achieved through a collaborative strategy, which can be effective in enhancing corporate governance.

The proposed revision of the SEBI Stewardship Code should include broadening the range of stewardship endeavors, ensuring adherence to the code, enhancing transparency and accountability, prompt and thorough disclosure of voting determinations, establishing mechanisms for investor-company engagement, requiring annual board evaluations, involving external independent professionals, expanding assessment parameters, harmonizing the Stewardship Code with internationally recognized sustainability reporting frameworks, and fostering proactive investor-company engagement.

Furthermore, the study recommends enhancing enforcement and monitoring by conducting frequent inspections and audits and implementing rigorous sanctions for non-adherence. These amendments aim to promote transparency, accountability, and shareholder participation, resulting in enhanced corporate governance standards and improved safeguarding of investor interests in India's capital markets.

In conclusion, the study's findings provide a solid foundation for future research in the field, fostering responsible shareholder activism and addressing gaps in knowledge. The comprehensive data and innovative methodologies used in this study offer a roadmap for future investigations, empowering researchers to delve deeper into the subject matter and uncover new frontiers of understanding. By following these recommendations, the legal community can continue to contribute to the existing literature and foster transformative study in the capital markets of India.

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The author expresses gratitude towards the librarian and other staff members of the library at UPES School of Law for their cooperation, courtesy, and patience. Gratitude is expressed towards each individual.

Finally, I would like to extend my appreciation and acknowledgement to my family members for their unwavering support and encouragement throughout the process of completing this thesis.

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CHAPTER 1

“INTRODUCTION”

1.1 Introduction

The corporate governance design in emerging jurisdictions, like India depends heavily on the core ownership structure of the entity. There have been several prior research which has analysed the: "relationship[1] between ownership[2] and good corporate governance"[3]. Several researchers have also examined how corporate governance[4] is practiced through different ownership patterns[5]. "The Indian listed companies have either dispersed ownership or heavily concentrated equity ownership. The dispersed ownership does not have an incentive to monitor and work through the delegated board of directors whereby giving greater opportunity for management to dominate the board and entrench itself"[6]. "At the same time, heavily concentrated equity ownership may or may not influence corporate governance. The status quo of the corporate governance system exists, probably because the stakeholders work for their own gains and exploit minority"[7]. Therefore, when it comes to the role of institutional investors in fortification corporate governance of the corporates; it is inconclusive.

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[1] Kara, A., van Rixtel, A. A. R. J. M., & Altunbas, Y. (2007). Corporate Governance and Corporate Ownership: The Investment Behaviour of Japanese Institutional Investors. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.98928

[2] Douglas Whatley, H. (2013). Corporate Governance in China's Banking System [Review of *Corporate Governance in China's Banking System*]. *Corporate Governance in China's Banking System*, *Studies of Organisational Management & Sustainability, 2 (1), 01-14*

[3] Khanchel, I. (2007). Corporate governance: measurement and determinant analysis. *Managerial Auditing Journal*, *22*(8), 740–760. https://doi.org/10.1108/02686900710819625

[4] Malik, M. (2007). *Firm Performance and Corporate Governance through Ownership Structure: Evidence from Bangladesh -Stock Market*. *3*(4), 88–110

[5] Mizuno, M. (2014). *CORPORATE GOVERNANCE, INSTITUTIONAL INVESTORS, AND FIRM PERFORMANCE IN FRANCE*. *2*(1), 33–46

[6] Iskander, M., & Chamlou, N. (2000). *Corporate governance*. https://doi.org/10.1596/0-8213-4741-1

[7] Wei, G., & Geng, M. (2008). Ownership structure and corporate governance in China: some current issues. *Managerial Finance*, *34*(12), 934–952. https://doi.org/10.1108/03074350810915860

"The shareholders of the Indian listed companies include promoters and non-promoters, institutional investors and non-institutional investors. It is evidenced that good governance does matter to institutional investors as the announcements of the enactment of corporate governance guidelines increased the stock prices in some western jurisdictions. This was observed by Picou and Rubach"[8]. "Moreover, the literature on corporate governance stresses on the monitoring role of institutional investors and thereby, strengthening their incentives to monitor[9]. The pre-requisite for monitoring by institutional investors is to understand the ownership forms and the existing governance structures"[10].

In the past ten years, there has been a global proliferation of stewardship codes. The underlying principle behind this phenomenon may be traced back to the "United Kingdom's" pioneering initiative in the form of the erstwhile "UK Stewardship Code, 2012"[11]. The stewardship codes exhibit variability in their structure and content, although consistently emphasise the crucial role of institutional investors in fulfilling their stewardship responsibilities towards the governance of invested firms.[12]. Stewardship has been explained as "the responsible allocation and management of capital across the institutional investment community, to create sustainable value for beneficiaries, the

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[8] Picou, A., & Rubach, M. J. (2006). Does Good Governance Matter to Institutional Investors? Evidence from the Enactment of Corporate Governance Guidelines. *Journal of Business Ethics*, *65*(1), 55–67. https://doi.org/10.1007/s10551-006-0016-3

[9] Strenger, C. (n.d.) *Corporate Governance of Institutional Investors: Impact, Role and Duties of Institutions in Advancing Good Corporate Governance in the Capital Markets.* Retrieved August 5, 2023, from http://www.unece.org/fileadmin/DAM/ie/wp8/documents/corpgov/strenger_corpgovtxt.pdf

[10] Gollakota, K. and Gupta, V. (2006) 'History, ownership forms and corporate governance in India', *Journal of Management History*, 12(2), pp. 185–198. doi:10.1108/13552520610654078

[11] *Code The UK Stewardship Code Financial Reporting Council*. (2012). https://www.frc.org.uk/getattachment/d67933f9-ca38-4233-b603-3d24b2f62c5f/UK-Stewardship-Code

[12] Hill, J. G. (2018). *Good Activist/Bad Activist: The Rise of International Stewardship Codes*. *41*(2), 497–524.

economy and society"[13]. In specific circumstances, the regulations extend beyond the concerns of shareholders, prompting them to take into account environmental, social, and governance matters[14]. In several jurisdictions, the stewardship guidelines or codes are commonly seen as a form of "soft law" that holds significant efficacy[15].

Although the concept of 'stewardship' is relatively recent in the Indian context, it has been present for a considerable duration and has gained significant recognition among institutional investors. Since the beginning of the 21st century, the Indian government has implemented various voting mechanisms aimed at facilitating greater involvement of shareholders, particularly institutional investors, in the decision-making processes of the companies in which they hold investments. In recent times, there has been a notable increase in the implementation of concrete measures by various regulatory bodies in India. "The Insurance Regulatory and Development Authority of India" ("**IRDAI**") issued guidelines on a stewardship code for insurers in 2017[16], the "Pension Fund Regulatory and Development Authority" ("**PFRDA**") issued guidelines on a pension fund stewardship code in 2018[17], and the "Securities and Exchange Board of India" ("**SEBI**") issued a "Stewardship Code in 2019" ("**SEBI's Stewardship Code**")[18], applicable to mutual fund(s) and alternative

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[13] *Building a regulatory framework for effective stewardship How to respond*. (2019). https://www.fca.org.uk/publication/discussion/dp19-01.pdf

[14] Sjåfjell, B., & Bruner, C. M. (Eds.). (2019). *The Cambridge Handbook of Corporate Law, Corporate Governance and Sustainability*. Cambridge University Press. https://doi.org/10.1017/9781108658386

[15] Goto, G. (2018). The Logic and Limits of Stewardship Codes: The Case of Japan. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.3311279

[16] Editor. (2017, March 22). *Guidelines on Stewardship Code for Insurers in India*. TaxGuru. https://taxguru.in/corporate-law/guidelines-stewardship-code-insurers-india.html

[17] (2018, May 4). *Common Stewardship Code* [Review of *Common Stewardship Code*]. Pension Fund Regulatory and Development Authority, Common Stewardship Code, PFRDA/2018/01/PF/01

[18] *SEBI | Stewardship Code for all Mutual Funds and all categories of AIFs, in relation to their investment in listed equities*. (n.d.). Www.sebi.gov.in.

investment funds ("**AIFs**"). These measures represent notable progress, as a considerable number of major institutional investors have either embraced or are currently in the process of adopting stewardship rules that adhere to the standards set forth by their various regulatory bodies.

"In India, institutional investment activities have a short history. Before the economic reforms, only a few institutions were operating in the Indian market which were mostly government owned. However, post economic reforms in 1991, the environment for institutional investors expanded. Government policies promoted private participation and foreign investments in Indian financial markets, and there has been a significant growth in institutional investment since then". The institutional investors can be categorised as[19], viz., "Mutual Funds" ("**MFs**"), banks and financial institutions, AIFs and "Foreign Institutional Investors/ Foreign Portfolio Investors" ("**FPIs**"). These investments are derived from pools of smaller investments from individuals who cannot invest directly in stock markets due to lack of resources or lack of time. The institutional investors then invest in various stock, whether in listed equities or debts and earn returns which are then distributed among the original investors keeping a charge for themselves. Such institutional investments comprise almost 12% of the global investments market valued close to $13 trillion and they are also expected to grow to 18-24% of the global investment market by 2025[20]. In India, the sector is relatively under-developed. The calculated total alternative investment was about $54 billion dollars in 2020, making up only 4% of the public equities market in India[21].

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https://www.sebi.gov.in/legal/circulars/dec-2019/stewardship-code-for-all-mutual-funds-and-all-categories-of-aifs-in-relation-to-their-investment-in-listed-equities_45451.html

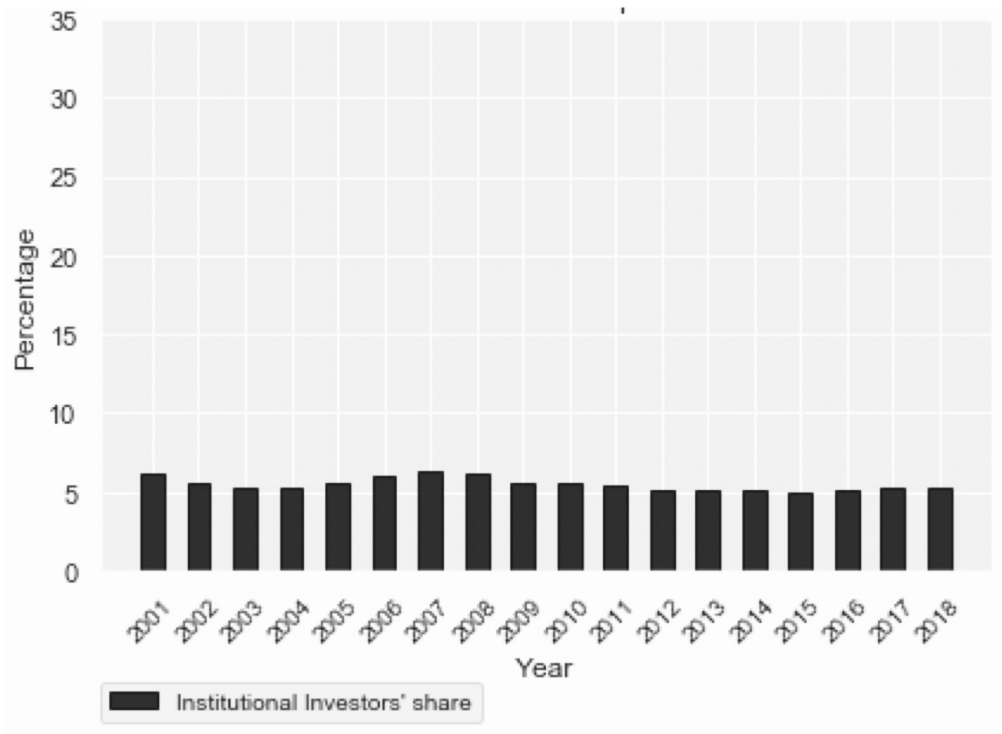
[19] M C, G. (2012). India and Foreign Institutional Investors. *IOSR Journal of Business and Management*, *5*(1), 1–4. https://doi.org/10.9790/487x-0510104

[20] CAIA Association, The Next Decade of Alternative Investments: From Adolescents to Responsible Citizens, § 2, (2020).

[21] Daga, S. (n.d.). *India: An Alternative Investment Industry Growth Story* [Review of *India: An Alternative Investment Industry Growth Story*].

Over the course of the previous two decades, significant transformations have taken place within stock markets. The significance of different types of institutional ownership has witnessed a notable rise. SEBI is responsible for overseeing and regulating investments made by institutional investors. According to the ‘SEBI (Issue of Capital and Disclosure Requirements) Regulations (ICDR Regulations), 2018’, the term "institutional investor" is defined as comprising two categories: (i) qualified institutional buyers and (ii) family trusts or intermediaries that are registered with SEBI and possess a net worth above 500 crore (10 million) rupees. It is mandatory for the listed corporations to provide disclosure regarding their ownership patterns.

To illustrate, Figure 1 presented below depicts the distribution of equity holdings among institutional investors in India. As you may note they have maintained a flat trend since 2001.



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https://www.allaboutalpha.com/blog/2020/09/27/india-an-alternative-investment- industry-growth-story

Figure 1 | Institutional Investors Shareholding in All Indian Listed Companies

Source: OECD

Moreover, in order to have a comprehensive understanding of the many entities that constitute the institutional investor category, Figure 2 presented below provides a detailed breakdown of institutional investors across all publicly traded companies. The category of other institutional investors encompasses “Foreign Portfolio Investors (FPIs)” and “Alternative Investment Funds (AIFs)”. The proportion is determined by the quantity of shares that individuals possess.

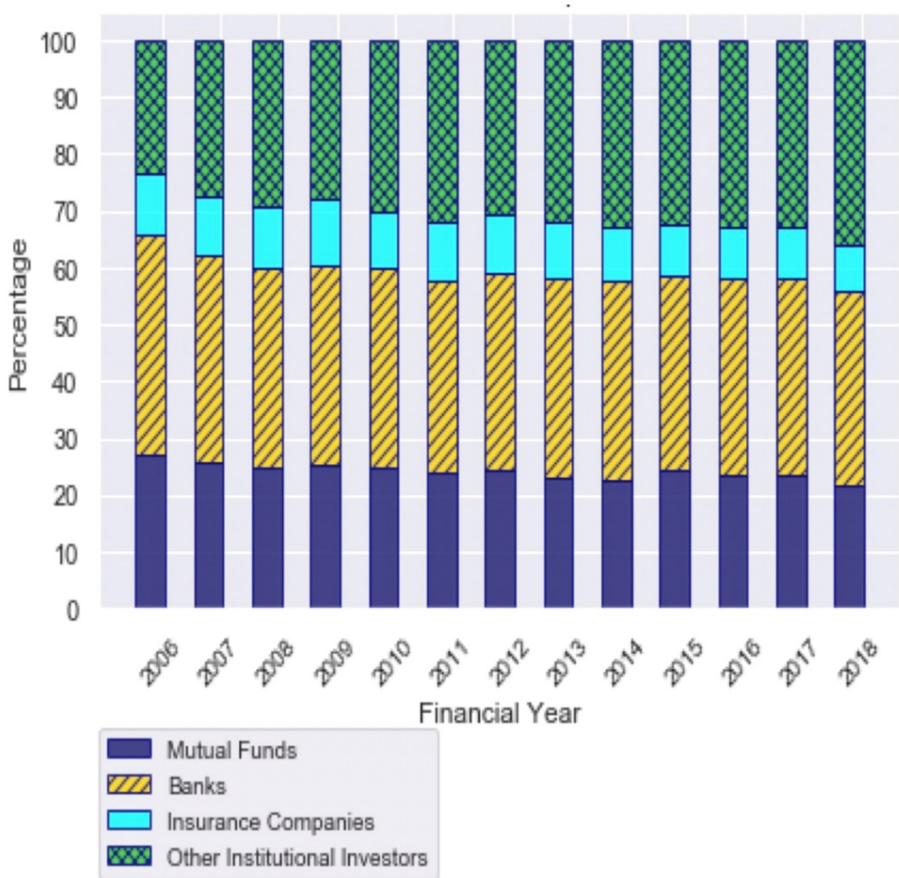

Figure 2 | Breakdown of Institutional Investors in All Indian Listed Companies

Source: OECD

Given the research study's specific focus on domestic institutional investors, it is imperative to gain a comprehensive understanding of the data pertaining to both local and international institutional investors in Indian listed firms.

Figure 3, presented below, displays the mean ownership proportions held by" "domestic institutional investors and foreign institutional investors at the corporate level". The allocation of shareholdings is determined by the quantity of shares held by institutional investors across all publicly traded firms in India.

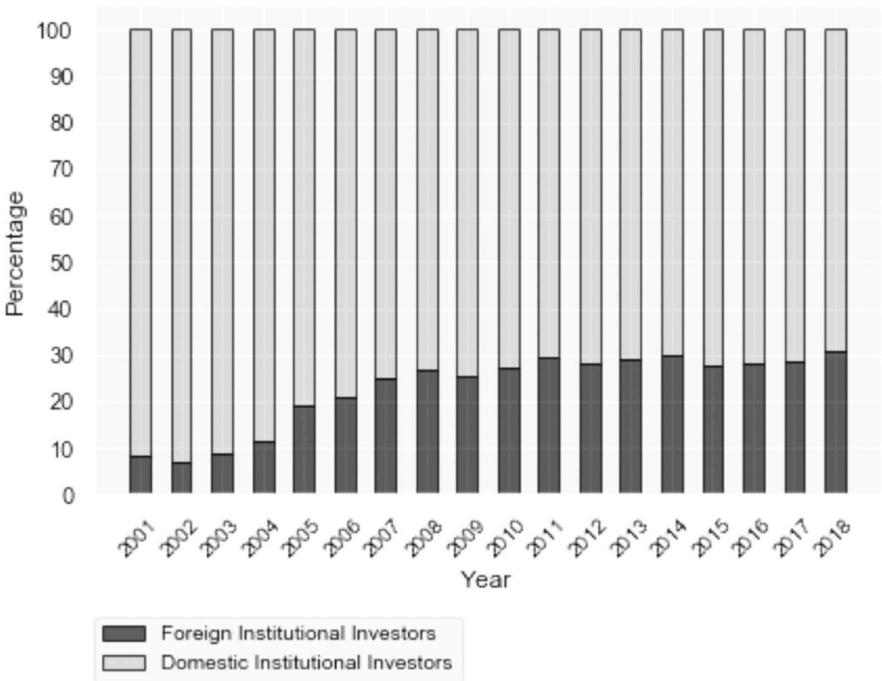

Figure 3 | Breakdown of Domestic and International Institutional Investors in All Indian Listed Companies

Source: OECD

One of the most contentious issues in today's business and economic systems is corporate governance. Cadbury Original Report of 1992[22] described corporate governance as a type of organisational structure that enables a

[22] The Report of the Cadbury Committee on The Financial Aspects of Corporate Governance: The Code of Best Practice. (1993). *Corporate Governance: An International Review*, *1*(3), 124–124. https://doi.org/10.1111/j.1467-8683.1993.tb00025.x

company's critical employees to be governed and directed. A successful adoption of corporate governance practices results in a solid relationship between stakeholders as well as the business, allowing India to achieve economic growth[23]. “The Organisation for Economic Co-operation and Development of India (“**OECD”**)”[24] emphasized the significance of rights, duties, and obligations, and the principles that enable the company to run smoothly in this regard. corporate governance is known as the processes, laws, and rules by which the business enterprises are regulated, controlled, and operated. Corporate governance generally encompasses important internal and external factors, which impact the interest of the stakeholders of a company[25]. Corporate governance also refers to ‘the system of by which companies are directed and controlled’[26]. It is best explained as a form of ‘stakeholder democracy’ comprising of governance mechanisms both internally and externally to uphold fair and best interests of stakeholders.[27] This is the entire scheme of institutional investor’s partnership in corporate governance.

In developing countries like India, standard of corporate governance is not that healthy like the standards of corporate governance in developed nations. The major reason behind the moderate standard of corporate governance in Indian organisations is poor ability of institutional agreements[28]. It results in

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[23] OECD (2004). OECD Principles of Corporate Governance, Organization for Economic Cooperation and Development. OECD

[24] OECD. (2021). *About the OECD*. Oecd.org. https://www.oecd.org/about/

[25] Almaqtari, F. A., Al-Hattami, H. Mohd., Al-Nuzaili, K. M. E., & Al-Bukhrani, M. A. (2020). Corporate governance in India: A systematic review and synthesis for future research. *Cogent Business & Management*, *7*(1). https://doi.org/10.1080/23311975.2020.1803579

[26] Committee on the Financial Aspects of Corporate Governance, Report 1992 para 2.5

[27] Tricker, B. (1998). The Role of the Institutional Investor in Corporate Governance. *Corporate Governance*, *6*(4), 213–216. https://doi.org/10.1111/1467-8683.00109

[28] Handa, R. (n.d.). *DOES CORPORATE GOVERNANCE AFFECT FINANCIAL PERFORMANCE: A STUDY OF SELECT INDIAN BANKS*. https://doi.org/10.18488/journal.aefr.2018.84.478.486

inadequate regulations and poor enforcement. India has different institutional agreement for corporate governance compared to other developed countries[29].

Indian companies are significantly focusing on the growth of the business by strengthening corporate governance[30]. High corruption across the systems and industries has a negative impact on corporate governance. The degree of corruption has reduced in India due to strong control of Indian government over corruption[31]. Therefore, the degree of corporate governance has increased in so many industries in India. From 1991, regulations regarding improvement of rights of investors have been promoted[32]. SEBI has successfully introduced some significant reforms of investor disclosure rules. The dominance of the promoters or the owners of the organisation has exposed the corporate governance challenges as a major area of concern. In order to overcome the challenges, the institutional investors have adopted different sustainability policies and strategies to improve the effectiveness of corporate governance[33].

In this context, the institutional investors are expected to strengthen corporate governance of Indian listed companies. Hence, the primary objective of this

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[29] Puente, I. (2022). *Private Equity and Financial Development in Latin America*. https://doi.org/10.1007/978-3-030-88983-8

[30] Kaur, M., & Vij, M. (2018). Corporate governance index and firm performance: empirical evidence from Indian banking. *Afro-Asian Journal of Finance and Accounting*, *8*(2), 190–207. https://econpapers.repec.org/RePEc:ids:afasfa:v:8:y:2018:i:2:p:190-207

[31] *Corporate Governance and Debt Securities in Brazil and India A Multi Case Study | PDF | Governance | Corporate Governance*. (n.d.). Scribd. Retrieved August 5, 2023, from https://www.scribd.com/document/514447511/3-Corporate-governance-and-debt-securities-in-Brazil-and-India-A-multi-case-study#

[32] *Corporate Governance and Debt Securities in Brazil and India A Multi Case Study | PDF | Governance | Corporate Governance*. (n.d.). Scribd. Retrieved August 5, 2023, from https://www.scribd.com/document/514447511/3-Corporate-governance-and-debt-securities-in-Brazil-and-India-A-multi-case-study#

[33] Esqueda, O.A., & O'Connor, T. (2020). Corporate governance and life cycles in emerging markets. *Research in International Business and Finance*, *51*(C). https://ideas.repec.org/a/eee/riibaf/v51y2020ics0275531919306968.html

research study is to examine the stewardship responsibilities of institutional investors in Indian listed firms, with a specific focus on the corporate governance aspect.

Now, it is important here to conduct detailed research, whether the institutional investors in India are really strengthening the good corporate governance of Indian listed companies, in which they invest.

1.2 Problem Statement

In India, institutional investors play a significant role and exert an increasingly influential impact on the financial markets. The interaction between: "institutional investors and the corporates", in which they invest can take on several manifestations, including individual meetings, voting activities, shareholder proposals and resolutions, and corporate governance practises. The stewardship code established by SEBI, IRDAI, and PFRDA signifies a notable step towards enhancing: "the engagement between institutional investors and their investee enterprises, with the objective of fostering favourable governance frameworks".

The literature study reveals that a majority of the studies examined in this analysis mostly relied on data from the "United States and the United Kingdom". This finding suggests a necessity to do further research on the topic utilising a sample from India. Regrettably, there is a scarcity of studies that have employed Indian samples within the framework of the Indian stewardship code/guideline. Therefore, this study aims to fill the gap by investigating the institutional investor's stewardship role in the improvement of corporate governance.

Moreover, based on the comprehensive analysis of existing literature, the current issue at hand pertains to the limited understanding about the extent of engagement exhibited by institutional investors in their endeavours to enhance:

"the corporate governance practises of the organisations in which they have invested".

This study aims to investigate the impact of institutional investors on enhancing corporate governance practises within the listed firms they invest in.

1.3 Hypothesis

Considering the literature review, and the points for considerations that have been set out in the previous sections, the possible/tentative hypothesis to be tested for this research study is:

H0: The institutional investors play an active role in good corporate governance in their respective Indian listed investee companies.

1.4 "Research Objectives"

Through this research study, aim is to:

(a) anlayse the role and efficacy of the participation of institutional investors in corporate governance of listed companies; and

(b) examine the compliance of applicable stewardship code/guideline by institutional investors.

1.5 Research Questions

This study aims to address the following three research inquiries in order to accomplish its objectives:

1. Whether: "institutional investors play a role in corporate governance"?

2. Whether institutional investors actively participate in good corporate governance in their respective Indian listed investee companies? In particular, whether the institutional investors:

   (a) cast their votes on resolutions placed in shareholders meetings of their listed investee companies?

   (b) actively participate in the: (i) appointment/reappointment and remunerations of directors and key managerial persons of their listed investee companies; (ii) appointment and remuneration of auditors; and (ii) issuance of dividends?

3. Whether institutional investors comply with their respective stewardship obligations? In particular, whether the "institutional investors":

   (a) have formulated a comprehensive policy on their stewardship obligations and have disclosed the same?

   (b) have included the following components in their respective stewardship policies: (i) "manage conflicts of interests in fulfilling their stewardship responsibilities"; (ii) intervention in their investee companies; (iii) "collaboration with other institutional investors to preserve the interests of the ultimate investors"; and (iv) "voting and disclosure of voting activity"?

1.6 Research Methodology and Research Design

Research methodology is an important and integral part of any research work. As it is the responsibility of the researchers to adopt a justified research method to conduct research in a right way and meet the developed objectives, the following research methodology was adopted for this study:

<u>Mixed Research Methodology</u>:

Researchers often utilise diverse ways to determine the veracity and/or acquire knowledge, contingent upon their specific objectives. “Mixed-methods research is a research methodology”, that: employs a variety of techniques in order to effectively and ethically investigate the research inquiries and approach them with appropriateness and sound principles[34]. It entails the collection, analysis, interpretation, and reporting of qualitative and quantitative data.

In general, researchers have the choice to select either doctrinal or empirical method of doing research. However, both the research methods have different benefits, hence: (a) the adoption of the doctrinal research methodology in the present study will be helpful in understanding the existing corporate governance norms in India, especially the stewardship codes which govern the institutional investors, (b) empirical study as per the scope of this study will help in analysing the role and actual participation of institutional investors in promoting good corporate governance.

The above articulated flexibility will allow this study to effectively respond to the research questions during the research study.

In light of all the above, it has been identified that the present research study will consider a mix of doctrinal and empirical research methodology.

Data Collection Methodology

“Similar to the research methodology, data collection process is also be considered as an important and integral part of this research. There are two types of data collection processes: (a) primary data collection process; and secondary

[34] Bryman, A. (2012). Social research methods (4th ed.). Oxford University Press. Creswell, J. W. (2015). A concise Introduction to Mixed Methods Research. Sage Publications Ltd. Creswell, J. W., & Plano Clark, V. L. (2011). Designing and Conducting Mixed Methods Research. Sage Publications.

data collection process". A brief description about both data collection processes identified for the present study are set out below:

1. Primary Data Collection Process: In primary data collection process, researchers usually collect raw, fresh, lively, and up-to-date data through primary data collection process. Primary data collection process can help the researcher in ensuring authentic research work. Looking into the benefits of the primary data collection process, it is identified that this study will consider the following primary data collection process: (i) review of the audited reports and annual reports of the listed corporations; (ii) review of the disclosures made by the listed corporations and institutional investors; and (iii) review and analysis of publicly available information with t. he stocks exchanges where the investee corporations are listed. This will be considered as the major source of primary data.

2. Secondary Data Collection Process: Secondary data collection process is collection of the required information from existing data sources. It is identified that this research study will collect, review and analyse the necessary information from existing data sources, like domestic legislation(s), rules, codes & guidelines; and their judicial interpretation as contained in the case-laws; law commission report(s), authentic online scholarly articles, other government reports, case studies, private reports, books, and other scholarly journal publications.

The methodology that will be adopted in this study is partly doctrinal and partly empirical; based on the review and analysis of secondary sources of voting results disclosed by listed companies.

Data Analysis Method

This research study aims to utilise a panel dataset to investigate the correlation between institutional investors and corporate governance. Panel data refers to a type of dataset wherein observations are made on entities or data points across a specific time period.

According to Baltagi[35]: “the use of panel data provides several advantages over more conventional time-series and cross-sectional datasets”.

1.7 Scope & Limitations of the Research Study

The scope and limitation of this research study have been set out below:

Scope, Time Period for anlaysing the: “role of institutional investors” in Indian Listed Companies":

1. **Period of Study**: The following study period has been identified 2018-2022.

2. **Rationale for Period Selection**: This study period has been taken into consideration as the first ever Indian stewardship guideline was issued by IRDAI in 2017, which were applicable to all insurance companies and thereafter PFRDA issued similar guideline in 2018 for pension funds and finally the SEBI’s Stewardship Code, which was issued in 2019, applicable to all MFs and AIFs . Therefore, the data analysis between 2018-2022 period will provide a meaningful insight on: “the role of institutional investors in corporate governance of listed companies”.

3. **Variables**: This study will look into the following four variables, when analysing the: “role of institutional investors in corporate governance”:

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[35] Baltagi, B. (2005). *Econometric Analysis of Panel Data Third edition*. https://library.wbi.ac.id/repository/27.pdf

(i) number of "institutional investors" that cast their votes on resolutions placed in annual general meetings, for both ordinary and special resolutions ("**AGMs**");

(ii) institutional investors' opposition in AGMs to: "the appointment/reappointment and remunerations of directors and key managerial persons" ("**KMPs**");

(iii) "institutional investors' opposition in AGMs to the appointment and remuneration of auditors"; and

(iv) "institutional investors' opposition in AGMs to issuing dividends".

The rationale for selection of these variables is that the data for these variables can be identified from the disclosures made by listed company, under the head 'voting results'. These are all direct variables.

4. **Sample Size**: With respect to the sample size, the data set will cover the sample size of the top Sensex 15 companies (bases on market capitalisation), which are large cap listed companies (i.e., having a market capitalisation of INR 20,000 crores or more); and

5. **Limitations**: The study the empirical study will be limited to India as a jurisdiction for the sample size and variables as set out above.

Scope for anlaysing the compliance of institutional investors with the applicable stewardship coed/guideline:

1. **Institutional investors being studied**: Insurance companies, pension funds, MFs and AIFS (all categories, i.e., Cat I, Cat II & Cat III). The rational for this selection is that from a regulatory perspective only the selected categories have some stewardship obligations in form of guideline/codes.

2. **Dependent Variables**: This study will look into the stewardship Principles, i.e., the six principles set out in the SEBI's Stewardship Code, IRDAI & PFRDA stewardship guidelines. The rationale for selection of these variables is that these variables are the compliance points of for regulated institutional investors having a stewardship obligation towards their respective investee companies. (see *Annexure 1*, for more details on the Principles).

3. **Sample Size**: With respect to the sample size, the data set will cover the sample size of the following institutional investors: (a) top 10 largest insurance companies (from a market capital perspective); (b) top 10 largest equity AIFs; and (c) top 10 largest mutual funds in India.

Limitations: However, this research study only takes into consideration the domestic institutional investors, like the insurance companies, pension funds, MFs and AIFs (all categories, i.e., "Cat I, Cat II & Cat III"). The rational for selection is that from a regulatory perspective only the selected categories have some stewardship obligations in form of guideline/codes. Lastly, the study the empirical study will be limited to India as a jurisdiction.

1.8 Literature Review

There are five (5) main theories which are well-known within the corporate governance discipline. These theories are:

(a) "agency theory";
(b) "stewardship theory";
(c) "resource dependence theory";
(d) "institutional theory"; and
(e) "stakeholder theory".

Several scholarly investigations: "in the field of corporate governance have explored several innovative concepts, such as contingency theory and strategic leadership theory"[36]. However, as these new theories are not relevant for use in this research study, the same have been ignored. Detailed discussion around the five (5) theories articulated above, has been done as a part of the theoretical framework study of this research study. For the purposes of literature review; only the stewardship theory has been discussed in detail as the same is more pertinent to" "the role of institutional investors from a corporate governance perspective; and the gap has been identified and highlighted".

Stewardship Theory

Stewardship theory was formulated by Donaldson and Davis in 1991, including insights from the fields of sociology and psychology. The concept described is commonly seen as a supplementary perspective to agency theory. According to this theory, shareholders select directors who are perceived to possess intrinsic motivation to fulfil the desires and interests of shareholders[37]. Directors of organisations should possess a strong drive for success and be perceived as responsible stewards of the company's resources. If the veracity of this statement is confirmed, the diligent endeavours of directors will provide positive consequences that ultimately advantage the entirety of shareholders. Furthermore, in accordance with the principles of stewardship theory, stewards operate in a collaborative manner. The primary goal of a steward is to achieve the objectives of the organisation, hence potentially benefiting shareholders by generating higher earnings, distributing dividends, and increasing share

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[36] Durisin, B., & Puzone, F. (2009). Maturation of Corporate Governance Research, 1993-2007: An Assessment. *Corporate Governance: An International Review*, *17*(3), 266–291. https://doi.org/10.1111/j.1467-8683.2009.00739.x

[37] Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a Stewardship Theory of Management. *The Academy of Management Review*, *22*(1), 20–47. https://doi.org/10.2307/259223

prices[38].

Stewardship theory posits that: "there exists an absence of intrinsic conflicts of interest between management and shareholders", and that executives' motivation does not encounter any basic difficulties[39]. Consequently, shareholders may expect enhanced financial gains as a result of the proficient control exerted by senior management over the operations of the enterprise[40]. It is important to acknowledge that a steward does not disregard their own requirements for survival. In contrast, it is imperative for a steward to recognise that individual needs can be fulfilled through the attainment of company objectives and aspirations. Hence, a prudent manager will strive to ensure that the benefits derived from achieving organisational objectives outweigh the benefits associated with engaging in self-centered behaviour[41].

When doing an analysis of the differentiating factors between agency theory and stewardship theory, it is necessary to consider many variables. One example is the stewardship philosophy, which aims to enhance the authority and autonomy of a company's top executives rather than exerting strict oversight and regulation over them[42]. The effective execution of stewardship by CEOs is most effectively enabled when a firm's governance structure confers upon them enhanced authority, particularly when these CEOs concurrently hold the position of board chairman[43]. Based on the tenets of stewardship theory, this

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[38] Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a Stewardship Theory of Management. *The Academy of Management Review*, *22*(1), 20–47. https://doi.org/10.2307/259223

[39] Donaldson, L., & Davis, J. H. (1991). Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns. *Australian Journal of Management*, *16*(1), 49–64

[40] Muth, M., & Donaldson, L. (1998). Stewardship Theory and Board Structure: a contingency approach. *Corporate Governance*, *6*(1), 5–28. https://doi.org/10.1111/1467-8683.00076

[41] *Supra Note 37*

[42] Fox, M. A., & Hamilton, R. T. (1994). OWNERSHIP AND DIVERSIFICATION: AGENCY THEORY OR STEWARDSHIP THEORY. *Journal of Management Studies*, *31*(1), 69–81. https://doi.org/10.1111/j.1467-6486.1994.tb00333.x

[43] *Supra Note 38*

organisational framework can be deemed efficacious, as chief executive officers (CEOs) are perceived as agents that strive to optimise utility by prioritising the objectives of the organisation above their own interests. Nevertheless, the adoption of such a structure is not advisable based on the 'Model of Man' proposed by agency theory. According to this theoretical framework, there is a potential risk of CEOs getting entrenched. This factor has the potential to exert an influence on the decision-making process of the board, potentially leading them to adopt corporate policies pertaining to pay-out plans[44].

According to Donaldson[45]: “directors are more invested in the firm's performance and success than shareholders, who may be looking for short-term gains”. The researchers propose that executives responsible for managing a firm's day-to-day operations possess a more comprehensive comprehension of the firm's objectives compared to external directors. From a perspective of stewardship, a greater convergence of: “interests between managers and shareholders leads to enhanced company success”.

Nevertheless, stewardship theory is subject to certain limitations. For example, Davis[46] argued that: “stewardship theory is affected by the cultural environment in which a company operates”. In the context of an individualistic culture, it is plausible that directors of a firm may prioritise their personal interests over those of the shareholders. Moreover, the theory neglects to take into account the diverse interests held by different stakeholders within an organisation. Institutional investors, such as investment fund managers, may exhibit a preference for short-term profits, but others, such as pension funds, may prioritise long-term outcomes[47]. In light of the implications of stewardship

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[44] Hu, A., & Kumar, P. (2004). Managerial Entrenchment and Payout Policy. *The Journal of Financial and Quantitative Analysis*, *39*(4), 759–790. https://www.jstor.org/stable/30031884

[45] *Supra Note 40*

[46] *Supra Note 38*

[47] Johnson, R. A., & Greening, D. W. (1999). THE EFFECTS OF CORPORATE GOVERNANCE AND INSTITUTIONAL OWNERSHIP TYPES OF CORPORATE SOCIAL

theory, it is expected that a corporate board will implement tactics aimed at enhancing the governance structure of a corporation. It is crucial to note that these measures should be in accordance with the interests of shareholders.

Corporate Governance | Indian Regulatory Framework

The corporate governance rules of Indian listed corporations are influenced by a confluence of statutory requirements, voluntary standards, and market dynamics. The Indian jurisdiction imposes certain crucial governance criteria, which encompass the obligatory board review, auditor rotation, mandatory allocation of corporate social responsibility funds, the inclusion of at least one female independent director, and the disclosure of dividend policy by the top 500 listed companies.

"The Companies Act of 2013 is primarily concerned with regulating the composition and functioning of the board of directors" ("**Board**") and committees, as well as their respective authorities and obligations. It also addresses matters related to shareholder rights, disclosure requirements for both yearly and event-based occurrences, audit procedures, financial statements, and mechanisms for ensuring compliance. "The Ministry of Corporate Affairs" ("**MCA**") serves as the central authority responsible for overseeing the implementation of the Companies Act, 2013. In fulfilling its role, the MCA develops and issues a range of "rules, circulars, and guidelines". In 2019, the MCA introduced the "National Guidelines for Responsible Business Conduct, aiming to integrate Gandhi's principle of trusteeship into the core societal responsibility of businesses". The objective was to encourage businesses to make contributions towards broader development objectives while simultaneously maximising their profits. Furthermore, it is imperative to note that Indian listed companies are subject to regulation by the SEBI, necessitating their adherence to the comprehensive set of laws, rules, and circulars established

PERFORMANCE. *Academy of Management Journal*, *42*(5), 564–576. https://doi.org/10.2307/256977 by the SEBI.

In the realm of corporate governance, the principal regulations pertain to the "SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015" ("**LODR Regulations**"). These regulations impose a variety of substantial obligations on companies listed on the stock exchange. Such obligations encompass adherence to disclosure principles and obligations, safeguarding: "the rights of shareholders, including minority shareholders' special rights, and delineating the responsibilities of the Board". Moreover, specific authorities that are particular to certain industries, such as the IRDAI) and SEBI, also establish governance and stewardship rules.

Various market forces impact corporate governance practises in India. These include: "investor expectations, proxy advisor voting rules and recommendations, governance scorecard criteria"; and the adoption of global best practises by boards to enhance governance and unlock the governance premium for shareholders. The rise in institutional ownership and increased voting engagement has also led boards to conduct more comprehensive evaluations of good governance practises.

"The Companies Act, 2013" and the "LODR Regulations" do not impose on shareholders any responsibility or duty for the company's corporate governance, whether in the form of fiduciary responsibilities or otherwise. In cases where a shareholder possesses significant influence over the Board to the extent that they meet the criteria of being a "person on whose advice, directions, or instructions the company's Board of Directors is accustomed to act," said shareholder assumes the role of an "officer in default" and assumes the corresponding responsibilities and liabilities as outlined in the Companies Act, 2013. In recent times, institutional shareholders have assumed greater responsibility for independent governance duties pertaining to the companies in which they hold investments. These requirements are imposed upon them by various stewardship regulations that govern their actions.

Shareholders Rights & Activism

India does not have a formal regulatory framework in place to govern the practice of "shareholder activism." Justice K.S. Radhakrishnan has observed in one of the cases[48] that: “India’s capital market in the recent times has witnessed tremendous growth, characterized particularly by increasing participation of public. Investors’ confidence in the capital market can be sustained largely by ensuring investors’ protection. Disclosure and transparency are the two pillars on which market integrity rests. Facts of the case disclose how the investors’ confidence has been eroded and how the market has been abused for personal gains and attainments”.

The increased effect of activist shareholders on corporate decision-making has been observed as a result of regulatory changes in the past decade. These changes include the restriction of related party shareholders from voting on resolutions pertaining to related party transactions. Due to the ongoing Covid19 epidemic, virtual shareholders meetings have improved shareholder participation chances. Notably, Lakshmi Vilas Bank shareholders voted against re-appointing seven directors and statutory auditors at the bank's September 2020 annual general meeting. Similarly, Vedanta's delisting attempt was unsuccessful when shareholders, including institutional investors, tendered their shares at a higher price, causing the promoters to withdraw the offer.

Proxy consulting firms play a crucial role in the securities market infrastructure by closely monitoring corporate activity and offering well-regarded recommendations that are valued by investors. Additionally, the impact of heightened examination, extensive media attention, and the influence of social media has resulted in escalating demands placed on organisations.

“To the extent that the powers are conferred upon the general meeting by legislation or the company's constitution, it is indisputable that the shareholders,

[48] N. Narayanan vs. Adjudicating Officer, SEBI (2013) SC, Civil Appeal Nos 4112-4113

by acting through the general meeting, are circumventing the traditional separation between ownership and control". "The shareholders have a right to be vigilant in safeguarding their investment and putting it in such manner and in the hands of such management which can ensure safety and security of investors"[49].

In theory, an institutional investor has the potential to pursue board representation as a "small shareholder" by procuring a limited quantity of shares and thereafter appealing to the firm with the required endorsement[50]. Nevertheless, the practical implementation of this has proven to be challenging. In August 2017, Unifi Capital encountered a setback when its endeavour to designate a director from among its small shareholders on the board of Alembic proved unsuccessful[51]. It was purported that these small shareholders were clients of Unifi Capital. Furthermore, in 2021, the Supreme Court rendered a verdict stating that an 18.37 percent shareholder was precluded from leveraging this provision to secure board representation.[52]

In order to remove a director before the completion of their term, it is necessary to get an ordinary shareholders' resolution, which entails securing permission from a simple majority of shareholders. Additionally, it is imperative that the director in question is provided with an opportunity to present their case and be heard prior to the decision-making process[53]. In May 2018, a director of Fortis Healthcare was removed by institutional investors and specific funds using this

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[49] LIC vs. Escorts Ltd. (1986) 1 SCC 264

[50] The Companies Act, 2013, Act No. 18 of 2013, § 151 Rule 7 of the Companies (Appointment of Directors) Rules 2014. For these purposes, a 'small shareholder' is one who holds shares in a listed company, the nominal value of which is less than 20,000 rupees or any other government-prescribed sum

[51] Ingovern, India Proxy Season 2017

[52] Tata Consultancy Services Limited v. Cyrus Mistry Private Limited, (2021) 9 SCC 449

[53] The Companies Act, 2013, Act No. 18 of 2013, § 169 (1)

The reference to 'normally' is because this does not apply to directors appointed by proportional representation (which is very uncommon).

approach.

Historically, the impediment to shareholder activism was attributed to collective action problems, as investors opted for divestment rather than engaging in concerted efforts. Nevertheless, the implementation of regulatory measures has prompted long-term investors in the Indian market to actively participate in interactions with promoters. An example of this would be the mandate imposed by the "Securities and Exchange Board of India (SEBI)" on Indian regulated mutual funds, which necessitates their participation in voting on resolutions pertaining to their portfolio firms. Furthermore, these mutual funds are obligated to furnish voting reports on a quarterly and annual frequency[54]. In 2017, IDAI and in 2019, SEBI released the stewardship code pertaining to investments made by insurance firms, MFs, AIFs in stocks listed on the stock exchanges in India.

In one of the recent matters, the Bombay High Court held that: "it would not interfere with the internal working of the company and that when the shareholders had requisitioned a meeting, the board of directors is bound to call such a meeting and it cannot refuse to call such a meeting on the ground that some of the resolutions, if passed at such a meeting, would be irregular".[55]

<u>"Institutional Investors" and "Corporate Governance"</u>

The ongoing liberalisation of international financial markets is increasingly contributing to the expansion of institutional investments[56] on a global scale,

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[54] SEBI circulars SEBI/IMD/CIR No. 18/198647/2010 dated 15 March 2010; CR/IMD/DF/05/2014 dated 24 March 2014; and SEBI/HO/IMD/DF2/CIR/P/2016/68 dated 10 August 2016.

[55] Zee Entertainment Enterprises vs Invesco Developing Markets Fund, (2021) Bombay HC (SUIT (L) NO. 22522 OF 2021)

[56] Ferreira, M. A., & Matos, P. (2008). The colors of investors' money: The role of institutional investors around the world. *Journal of Financial Economics*, *88*(3), 499–533. https://doi.org/10.1016/j.jfineco.2007.07.003

thereby assuming a pivotal role in the global economy[57]. According to the "International Monetary Fund": "the value of worldwide assets managed via institutional investments has risen to approximately $100 trillion, a sevenfold increase over 1990 levels"[58]. In light of their extensive international investment activities, institutional investors are experiencing mounting expectations from regulators and governments to actively contribute to: "the improvement of governance frameworks within the companies in which they participate"[59]. The obligations of institutional investors in overseeing the enterprises in which they invest go beyond their financial motivations and encompass stewardship responsibilities, ultimately resulting in the optimisation of beneficiaries' interests (Mallin, 2016[60]; Solomon, 2013[61]).

"In order to enhance the corporate governance structure of a corporation, institutional investors have the ability to employ various channels of involvement with their investee firms[62]. The communication channels encompassed in this context consist of individualised meetings, voting processes, shareholder proposals and resolutions, focus lists, and corporate governance rating systems"[63]. Furthermore, institutional investors frequently employ private negotiation as an additional effective strategy to improve the governance framework of the enterprises in which they have invested (Holland,

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[57] Aggarwal, R., Erel, I., Ferreira, M., & Matos, P. (2011). Does governance travel around the world? Evidence from institutional investors. *Journal of Financial Economics*, *100*(1), 154–181. https://doi.org/10.1016/j.jfineco.2010.10.018

[58] Kim, I., Miller, S., Wan, H., & Wang, B. (2016). Drivers behind the monitoring effectiveness of global institutional investors: Evidence from earnings management. *Journal of Corporate Finance*, *40*, 24–46. https://doi.org/10.1016/j.jcorpfin.2016.06.006

[59] Mallin, C. A. (2016). *Corporate governance : international edition*. Oxford University Press

[60] Mallin, C. A. (2016). *Corporate governance : international edition*. Oxford University Press

[61] Solomon, J. (2013). *Corporate governance and accountability*. Wiley

[62] Martin, R., Casson, P., & Nisar, T. M. (2007). *Investor Engagement: Investors and Management Practice under Shareholder Value*

[63] *Supra Note 58*.

1998[64]; McCahery et al., 2016[65]).

Institutional Investors and Stewardship Codes

The stewardship norms and standards issued by various nations are often regarded as crucial instruments for facilitating communication between “institutional investors” [66] and their “investee companies”[67].

Gile Downes, Ehud, and Glenn (1999)[68] opine that the pressure for institutional investors to ‘not just sit but do’ is only growing and will continue to grow as these investors sit on a pile of money and have significant influential powers. They also suggest that pressure has built up because these investors only intervene in governance when the company is tracing a downward trend or is making losses. institutional investors activism needs to be further strengthened to implement effective corporate governance.

In the OECD Report on Corporate Governance (2011)[69], investor activism was studied in various OECD and non-OECD countries. They show best interest in

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[64] Holland, J. (1998). Influence and Intervention by Financial Institutions in their Investee Companies. *Corporate Governance: An International Review*, *6*(4), 249–264. https://ideas.repec.org/a/bla/corgov/v6y1998i4p249-264.html

[65] McCAHERY, J. A., SAUTNER, Z., & STARKS, L. T. (2016). Behind the Scenes: The Corporate Governance Preferences of Institutional Investors. *The Journal of Finance*, *71*(6), 2905–2932. https://doi.org/10.1111/jofi.12393

[66] Haxhi, I., van Ees, H., & Sorge, A. (2013). A Political Perspective on Business Elites and Institutional Embeddedness in the UK Code-Issuing Process. *Corporate Governance: An International Review*, n/a-n/a. https://doi.org/10.1111/corg.12036

[67] McNulty, T., & Nordberg, D. (2015). Ownership, Activism and Engagement: Institutional Investors as Active Owners. *Corporate Governance: An International Review*, *24*(3), 346–358. https://doi.org/10.1111/corg.12143

[68] Downes, G., Ehud Houminer, & R. Glenn Hubbard. (1999). *Institutional Investors and Corporate Behavior*

[69] The Role of Institutional Investors in Promoting Good Corporate Governance. (2011). In *Corporate Governance*. OECD. https://doi.org/10.1787/9789264128750-en

protecting shareholder rights and fulfilling stewardship responsibilities. India maintains a steady number of individual investors in listed equities and at the time the study was conducted lacked regulatory mechanisms to keep institutional investors in check. They are merely regulated by the OECD principles accepted by SEBI.

In 2013, in the aftermath of the ‘Satyam scam’, corporate governance came to the forefront of company policies. Madan Bhasin[70] highlights that the institutional investors comprising a major part of shareholders including some of India’s prominent investment houses could not detect malfeasance in fabricated balance sheets. He goes on to relate this to the lack of auditing or institutional regulation for corporate governance in India. Each stakeholder is bound by an instrument created between that stakeholder and the investee company breaching reasonable requirements of responsibility.

JP Singh[71] writes an impactful statement after observing the number of scams in India despite there being a lengthy Companies Act and equally voluminous tax statutes. The authors there observe that corporate governance cannot be imposed, it must come from within itself. This and numerous other observations by authors[72] reflect on India’s approach to corporate governance: similar to one of crime. It is popularly called the ‘comply or else’ model.

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[70] Bhasin, M. L. (2016). Creative Accounting Scam at Satyam Computer Limited: How the Fraud Story Unfolded? *Open Journal of Accounting*, *05*(04), 57–81. https://doi.org/10.4236/ojacct.2016.54007

[71] Singh, J. P., Srivastava, N., & Hena Uzma, S. (2010, January). *Satyam Fiasco: Corporate Governance Failure and Lessons Therefrom* [Review of *Satyam Fiasco: Corporate Governance Failure and Lessons Therefrom*]. https://www.researchgate.net/publication/228118526_Satyam_Fiasco_Corporate_Governance_Failure_and_Lessons_Therefrom

[72] Kavitha, D., & Nandagopal, R. (2013). Changing perspectives of corporate governance in India. *International Journal of Indian Culture and Business Management*, *7*(1), 72. https://doi.org/10.1504/ijicbm.2013.054818

Subrata Sarkar[73], writes in length about the comply-or-else and comply-or-explain models of corporate governance. For a long time, it was believed that the former was the most appropriate for India, followed by the USA. In this arrangement, a regulator sets compliance restrictions on businesses via legislation that they must comply or face penalties. This only goes so far in promoting good governance. The transition occurred as a result of several SEBI laws governing institutional investors, which used a comply-or-explain approach. While it is important to implement a uniform set of standards in this case, they can be customised to the specific needs of businesses. Sufficient justification must be established. Numerous such rules will be implemented in the future, he says.

<u>"Institutional Investors and Corporate Governance: An Empirical Literature Review"</u>

Numerous scholarly investigations have been conducted to analyse the engagement of "institutional investors" in activism endeavours aimed at enhancing corporate governance practises within corporations in which they hold investments[74]. Within the framework of international studies, in a study conducted in 2008, Ferreira and Matos investigated the impact of institutional investors on firm performance by analysing a sample of listed firms across 27 countries. It was discovered that foreign and independent "institutional investors" exerted a positive influence on business valuation and operating performance on a global scale[75]. Consistent with this view, in a study[76], conducted an analysis on the impact of institutional investors on the enhancement of corporate governance. The researchers investigated the actions of companies in 23 different countries over a period of six years, from 2003 to

[73] Sarkar, S. (2015). The Comply-or-Explain Approach for Enforcing Governance Norms. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.2638252

[74] Goranova, M., & Lori Verstegen Ryan. (2013). *Shareholder Activism: A Multidisciplinary Review*

[75] *Supra Note 56*

[76] *Supra Note 57*

2008. To assess corporate governance, a comprehensive governance index consisting of 41 qualities was utilised. According to Aggarwal, it was discovered that non-local institutional investors played a significant role in driving governance outcomes on a global scale. According to Aggarwal, international organisations and institutions originating in nations with robust shareholder rights played a prominent role in advocating for improved governance systems beyond the borders of the United States. The findings of their study demonstrated that institutional investors' activism and monitoring efforts transcended national boundaries, resulting in improved governance outcomes and enhanced performance of investee enterprises in international contexts, beyond the United States.

In a study[77], it was examined a sample of publicly traded companies in "Latin-American" nations from "1997 to 2011". Their findings indicated a positive correlation between the level of institutional investor ownership and business valuation. Furthermore, they documented that several categories of institutional investors exerted varying impacts on firm valuation. In their study, Kim et al. (2016) [78] conducted an analysis on a sample of publicly traded companies from 29 different countries throughout the time span of 2001 to 2013. The objective of the research was to examine the impact of institutional investors on the reduction of earnings management. According to the findings of Chhaochharia[79], local institutional investors were shown to be effective monitors of the firms they invest in. Additionally, the study revealed that these investee firms demonstrated higher profitability and were less inclined to engage in managerial earning activities. In addition, Chhaochharia noted that regional establishments shown a higher propensity to initiate shareholder

[77] De-la-Hoz, M. C., & Pombo, C. (2016). Institutional investor heterogeneity and firm valuation: Evidence from Latin America. *Emerging Markets Review*, *26*, 197–221. https://doi.org/10.1016/j.ememar.2015.12.001

[78] *Supra Note 57*

[79] Chhaochharia, V., Kumar, A., & Niessen-Ruenzi, A. (2012). Local investors and corporate governance. *Journal of Accounting and Economics*, *54*(1), 42–67. https://doi.org/10.1016/j.jacceco.2012.03.002

recommendations, enhance CEO turnover, and oversee CEO compensation arrangements. Furthermore, a study conducted by Muniandy aimed to analyse the influence of institutional investors on the performance of enterprises by using a comprehensive sample of Australian-listed companies that were active between 2000 and 2012. The said study underscored "the positive impact of institutional investors", as a collective entity, on the overall performance of firms[80].

Numerous additional scholarly investigations have directed their attention towards examining the: "impact of institutional investors on the design and implementation of executive remuneration systems". Hartzell and Starks (2003)[81] conducted a study that examined the potential impact of institutional investor concentrations on executive remuneration packages. The study utilised a sample of 1,914 enterprises listed in the United States, which were operational between 1992 and 1997. The researchers eventually found that the presence of institutional investors had a significant impact on managerial compensation. They[82] found" "a positive association between the level of institutional investor concentration and the degree of sensitivity of the remuneration structure to the company's performance".

Additionally, subsequent research has placed emphasis on the impact of institutional investors on enhancing the level of audit quality inside their

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[80] Muniandy, P., Tanewski, G. & Johl, S. K Institutional investors in Australia: Do they play a homogenous monitoring role? (2016). *Pacific-Basin Finance Journal*, *40*, 266–288. https://doi.org/10.1016/j.pacfin.2016.01.001

[81] Hartzell, J. C. (2014). Institutional Investors and Executive Compensation Redux: A Comment on "Do Concentrated Institutional Investors Really Reduce Executive Compensation Whilst Raising Incentives. *Critical Finance Review*, *3*(1), 85–97. https://doi.org/10.1561/104.00000017

[82] Hartzell, J. C. (2014). Institutional Investors and Executive Compensation Redux: A Comment on "Do Concentrated Institutional Investors Really Reduce Executive Compensation Whilst Raising Incentives. *Critical Finance Review*, *3*(1), 85–97. https://doi.org/10.1561/104.00000017

respective audit companies. Velury[83], revealed that: "the higher the number of institutional investors, the greater the likelihood that an industry- specialist auditor would be appointed to perform auditing services for the investee firm". The study suggest that "institutional investors" tend to engage auditors of higher quality with the objective of improving the financial reporting of the companies in which they have invested. In their study, Kane and Velury (2004)[84] investigated the extent to which institutional investors contribute to enhanced managerial oversight through the engagement of prominent auditing firms responsible for conducting annual audits. According to their findings, there exists a positive correlation between the presence of institutional investors and the probability of an investee firm undergoing an audit conducted by a prominent multinational auditing firm.

Phani, B. V., V. N. Reddy, N. Ramachandran and Asish K. Bhattacharyya, "Inside Ownership, Corporate Governance and Corporate Performance," Proposal No. 89, p. 25, available at http://www.nseindia.com/content/research/compaper89.pdf: Phani observed that: "the relationship between insider ownership and business performance" in the Indian environment exhibits a pattern of irregularity. The potential "relationship between insider ownership and performance" may be perceived as temporary irregularities that could diminish within a short period.

Majumdar, Sumit K. and Pradeep Chhibber, "Capital Structure and Performance: Evidence from a Transition Economy on an Aspect of Corporate Governance," Public Choice, Vol. 98, 1999: Mujumdar and Chhiber's research findings indicate a noteworthy inverse correlation between the extent of indebtedness in a company's capital configuration and its overall

[83] Velury, U., Reisch, J. T., & O'Reilly, D. M. (2003). *Institutional ownership and the selection of industry specialist auditors Review of Quantitative Finance and Accounting*, *21*(1), 35–48. https://doi.org/10.1023/a:1024855605207

[84] Kane, G. D., & Velury, U. (2004). The role of institutional ownership in the market for auditing services: an empirical investigation. *Journal of Business Research*, *57*(9), 976–983. https://doi.org/10.1016/s0148-2963(02)00499-x

performance in India. The authors put out the contention that the ownership of both short-term and long-term lending institutions by the government may potentially account for the observed association. The proponents claim that the efficacy of corporate governance measures commonly observed in Western nations may be limited in the Indian environment unless there is a privatisation of loan capital supply.

Chrisotomos, Florackis (2005), "Internal Corporate Governance Mechanism and Corporate Performance: Evidence for UK Firms," Applied Financial Economics Letter: The study conducted by Chrisotomos demonstrated that a correlation exists between the ownership of low levels of shares by managers and the establishment of a binding effect between managerial and outside shareholders. This outcome is attained through the mitigation of incentives for managers to pursue excessive rewards, while concurrently fostering diligence and the commencement of advantageous endeavours. The alignment effect is a widely recognised phenomenon in academic literature. After achieving a given level of ownership, managers may demonstrate insufficient levels of effort, amass personal riches, and strengthen their positions at the detriment of others, thus illustrating the phenomenon known as the entrenchment effect. Hence, the employment of management ownership as a governance mechanism can function as a method to oversee and control the actions and conduct of managers.

Chaganti, R. and Damanpour F. (1991), "Institutional Ownership, Capital Structure and Firm Performance," Strategic Management Journal, Vol. 12: Chaganti and Damanpour (year) have observed a scarcity of scholarly investigations about the: "impact of institutional ownership on business performance". This lack of research might be attributed to the prevailing belief that there exists an inconsequential correlation between these two factors. The study indicates a noteworthy association between the ownership of institutional investors and the variables of capital structure and return on equity. The influence of stakes on the Return on Assets and Price-Earnings Ratio of enterprises exhibits a degree of variability. The findings of the study indicate that the ownership structure did not have a statistically significant impact on the overall stock return. An independent inquiry unveiled an inverse relationship between institutional ownership and expansion, although a direct relationship was identified between institutional ownership and profitability. The study found no statistically significant correlation between public ownership and any of the performance metrics. “There exists a statistically significant and positive correlation between the ownership of financial institutions and the creation of assets”.

Gugler, K., Mueller D. and Yurtoglu B. (2004), “Corporate Governance and Globalization,” Oxford Economic of Review Policy, Vol. 2, No. 1: According to Gugler's survey of studies conducted on firms in the United States and United Kingdom, it was found that firms controlled by their owners, possessing a single block of equity exceeding 5% or 10%, exhibited a significant outperformance in comparison to firms controlled by managers.

Monks, R. A. G. and Minow, N. (1995), Corporate Governance, Basil Blackwell,Cambridge, cited by Ghosh, Saibal, “Do Board Characteristics Affect Corporate Performance? Firm- Level Evidence for India,” “Applied Economics Letters, 13, 2006”: Monks and Minow posited that the monitoring of Boards may result in an improvement in the calibre of managerial decisions. Fama and Jensen posited that Boards possess the potential to serve as efficacious instruments for overseeing managerial activities. “The decision-making processes”: of boards in relation to the appointment, reward, suspension, and removal of management staff have the potential to exert a substantial influence on the overall performance of corporations.

Kathuria, Vinish and Dash Shridhar (1999), “Board Size and Corporate Financial Performance: An Investigation,” “Vikalpa, Vol. 24, No 3”.: In the context of India, several studies have indicated that larger Boards have a positive impact on performance until a certain threshold, but alternative perspectives argue that larger Boards yield negligible results. According to Kathuria and Dash, the expansion of the Board size leads to an improvement in performance. Nevertheless, the results of their study did not indicate a statistically significant relationship between the shareholdings of directors and performance outcomes. More chances and resources are created by a larger board, which leads to higher financial success.

Jensen, M. C. and Meckling W. (1976), "Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure," Journal of Financial Economics, Vol. 3: According to Jensen and Meckling, the alignment of interests between managers and equity-holders can be achieved through managerial ownership, which is anticipated to have a favourable impact on firm valuation.

Ghosh, A. (2006a), "Determination of Executive Compensation in an Emerging Economy: Evidence from India," Emerging Markets Finance and Trade, 42: According to Ghosh, in the context of India, where conventional methods of corporate management have just lately started to gain influence, the presence of independent external auditors could play a crucial role as monitors of controlling shareholders. Moreover, the use of these monitoring practises holds the potential to augment the overall value of firms. "If the assertion given above is accurate, it can be deduced that the notable benefits derived by external auditing should be reflected in the increased value of the ownership claims on the corporation."

Core, E. John and Larcker David (2002), "Performance Consequence of Mandatory Increases in Executive Stock ownership," Journal of Financial Economics, Vol. 64: According to Core et al. (2008), companies that possess weaker governance structures are more likely to experience agency problems. The CEOs of these companies tend to receive higher compensation, while their performance is comparatively inferior. The remuneration of CEOs was found to be positively associated with their dual role as Board Chairmen and with the size of Boards, which had a higher proportion of external directors appointed by the CEOs.

Admati, A. R., P. Pleiderer and J. Zechner, (1994), "Large Shareholder Activism, Risk Sharing and Financial Market Equilibrium," Journal of Political Economy, 102: "The primary aim of institutional investors": is to optimise the value of their own shareholders' equity rather than to oversee the operations of the firms in which they have made investments. Admati and her colleagues contended that the lack of suitable incentives and the challenge of free riding serve as obstacles to institutional activism.

"Khanna, Tarun, Joe Kogan and Krishna Palepu", "Globalization and Similarities in Corporate Governance: A Cross-Country Analysis," "The Review of Economics and Statistics, Vol. 88, No. 1, February 2006": According to Khanna, Palepu, and Varma, it may be inferred that: "institutional investors in India have assumed a passive role in corporate governance".

Sarkar, Jayati and Subrata Sarkar, "Multiple Board Appointments and Firm Performance in Emerging Economies: Evidence from India," Pacific-Basin Finance Journal, 17, 2009: The lack of cost-effectiveness in institutional investors intervening in corporate governance choices serves as a deterrent for active intervention by said investors. Typically, investors tend to adopt a passive approach, refraining from actively seeking information necessary to effectively use their voting rights.

Mohanty, Pitabas, "Institutional Investors and Corporate Governance in India": According to Mohanty's research conducted in India, the fund managers' focus on short-term performance measurements leads them to adopt a short-term perspective, resulting in limited engagement with the: "corporate governance (CG) practises of the companies in which they have invested".

Shleifer, Andrei and Robert W. Vishny, "A Survey of Corporate Governance," The Journal of Finance, Vol. LII, No. 2, June 1997: According to Shleifer and Vishny (year), institutional investors hold a substantial number of stocks, resulting in heightened motivations to monitor business performance.

This is attributed to the increased advantages they derive from engaging in such oversight activities.

Brickley, J., R. Lease, and C. Smith (1988), "Ownership Structure and Voting on Anti-Takeover Amendments," Journal of Financial Economics, (January/March) 267-291 cited by Mohanty (2002): According to the research conducted by Brickley, Lease, and Smith, institutional investors exhibit a higher propensity to vote against detrimental amendments that have the potential to diminish the financial interests of shareholders.

Agarwal, A., and G. Mandelker (1990), "Large Shareholders and Monitoring of Managers: The Case of Anti-Takeover Charter Amendments," "Journal of Financial and Quantitative Analysis, June, 143-161 cited by Mohanty (2002)": Agarwal and Mandelkar discovered a direct correlation between institutional ownership and the financial prosperity of shareholders. According to the research there exists a direct correlation between institutional ownership and productivity.

"Sarkar, Jayati and Subrata Sarkar", "Multiple Board Appointments and Firm Performance in Emerging Economies: Evidence from India," "Pacific-Basin Finance Journal, 17, 2009": Sarkar and Sarkar proposed that lending institutions should commence effective monitoring of firms only after equity holdings exceed a significant threshold. In addition, the monitoring procedure is strengthened by the magnitude of debt exposures of said institutions. Additionally, the research revealed that the ownership of foreign equity has a positive impact on the value of the firm.

Mohanty, Pitabas, "Institutional Investors and Corporate Governance in India": Mohanty provided further support for these findings. The researcher discovered that development financial institutions have provided loans to companies that exhibit superior corporate governance metrics. Moreover, mutual funds have allocated funds towards companies exhibiting a superior corporate governance track record. "The author arrived at the conclusion that the financial performance of companies has been enhanced as a result of investment by mutual funds and development financial institutions."

Crowther, D. (2002c), "A Social Critique of Corporate Reporting"; Aldershot; Ashgate 163: According to Crowther, the advent of the WWW has enabled the proliferation of information and intensified the accountability of businesses to their stakeholders. Ogden and Watson's research indicates a significant enhancement in customer service following the privatisation of the UK water supply industry in 1989. Additionally, their findings suggest that the privatisation has resulted in increased returns to shareholders, which aligns with the principles of the Stakeholder Theory. According to Crowther's findings, there exists a positive correlation between the financial performance of firms and their level of social responsibility. Hence, a discernible association can be observed between social responsibility and the generation of shareholder wealth.

Verschoor, C. C. (1998), "A Study of the Link between a Corporation's Financial Performance and its Commitment of Ethics," Journal of Business Ethics, 17(13): According to the research conducted by Verschoor, a notable portion of the top 500 American corporations, which have made a commitment to adhere to ethical standards by incorporating social and ethical accounting, auditing, and reporting in their annual reports, demonstrated superior financial performance in comparison to their counterparts who did not explicitly make such commitments. Specifically, 26.8% of such corporations demonstrated better overall financial performance. Coffey and Wang's research indicates that Boards consisting of a higher proportion of inside directors exhibit a greater propensity to endorse corporate philanthropic activities compared to Boards that are more diverse and have a higher proportion of outside directors.

Berger, P. G., Ofek, E. and Yermack, D. L. (1997), "Managerial Entrenchment and Capital Structure Decisions," The Journal of Finance, Vol. LII (4): Berger et al. discovered that Chief Executive Officers (CEOs) who had been in their positions for a considerable duration and were not influenced by ownership pressure, remuneration incentives, or active monitoring by the Board, exhibited a tendency to avoid utilising debt financing. Consequently, this led to a decrease in leverage levels.

Chakrabarti, Rajesh, Megginson William, Pardeep K. Yadav, "Corporate Governance in India," Journal of Applied Corporate Finance, Vol. 20, No.1, Winter 2008: According to Chakrabarti *et al.*, the absence of a functional market for corporate control is a significant impediment to improved governance in India.

Agarwal, Manish and Aditya Bhattacharya (2006), "Mergers in India-a Response to Regulatory Shocks," "Emerging Markets Finance and Trade, 42": While Indian regulators previously exhibited reluctance towards hostile acquisitions, they have now become more receptive to such transactions. Currently, the corporate control market in India exhibits a lack of geographical constraints, thereby enhancing the potential for improved corporate governance.

"Gupta, Nandini (2005)", "Partial Privatization and Firm Performance," Journal of Finance, 60: Despite being under government supervision, privatisation has had a favourable impact on the profitability, productivity, and investment of the privatised Public Sector Enterprises, according to research by Nandini Gupta of 47 partial privatisations. Thus, privatisation can encourage effective CG.

The literature review set out above reveals that though the construct of CG has received much research and attention in all other jurisdictions, more research is required, especially in India to: "understand the role of institutional investors in the CG of Indian listed companies".

Literature Gap & Need For Further Study

The examination of the primary research undertaken in this particular area reveals that a majority of these studies predominantly relied on data from the

"United States and the United Kingdom". This suggests a necessity to explore the subject matter utilising a sample from India. "Unfortunately, few studies have yet to utilise such Indian samples": in the context of the Indian stewardship code/guideline. "Therefore, this study aims to fill the gap by investigating the institutional investor's stewardship role in the improvement of corporate governance."

The key literature review and gaps is set out as *Annexure 2*. Only the critical gaps have been highlighted in the table, for easy reference. Rest of the literature review and gaps are set out in the body of this thesis.

SEBI's Stewardship Code, 2019

The need for an overarching express stewardship policy to include the "institutional investors" in promoting "corporate governance" was first recorded in the recommendations of the "Kotak Committee Report on Corporate Governance in 2017"[85]. The said committee viewed a stable stewardship policy as an essential to ensuring corporate governance and accountability to policyholders. SEBI's Stewardship Code was a result of such recommendations.

SEBI'S Stewardship Code, imposes: "a number of obligations on mutual funds and alternative investment funds, in their role as investors in listed Indian companies". The said code became effective from July 1, 2020. "It has six principles ("**Principles**")[86], each of which comes with some guidance. SEBI's

[85] Report of the Kotak Committee on Corporate Governance, Chapter 8, Rec.3., 2017

[86] The six Principles are as follows:

Principle 1: Institutional investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it (on the entity's website), review and update it periodically.

Principle 2: Institutional Investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

Principle 3: Institutional Investors should monitor their investee companies.

cover letter to institutional investors states that it applies only to listed equities. Therefore, it does not apply to investments by institutional investors in listed debt/private companies/public unlisted companies."

IRDAI and PFRDA Stewardship Guideline

In March 2017, the Insurance Regulatory and Development Authority of India (IRDAI) released a comprehensive set of recommendations pertaining to stewardship codes for insurance businesses operating within the country.[87] According to the guidelines, it is mandatory for all insurance businesses in India to adhere to particular stewardship codes. These principles are also implemented based on a "comply-or-explain" approach.[88] Moreover, in the year 2018, the "Pension Fund Regulatory and Development Authority (PFRDA)" introduced its own stewardship code, which mandates adherence by all pension funds.[89]

The IRDAI, PFRDA, and SEBI exhibit significant congruence in their respective approaches towards the stewardship code/guideline. *Annexure 1* sets out the: "comparison of stewardship code/guideline of IDRAI, PFRDA and SEBI".

Principle 4: Institutional Investors should have a clear policy on intervention in their investee companies. Institutional Investors should also have a clear policy for collaboration with other Institutional Investors where required, to preserve the interests of the ultimate investors, which should be disclosed.

Principle 5: Institutional Investors should have a clear policy on voting and disclosure of voting activity.

Principle 6: Institutional Investors should report periodically on their stewardship activities.

[87] IRDAI, *Guidelines on Stewardship Code for Insurers in India*

[88] IRDAI, *Guidelines on Stewardship Code for Insurers in India*

[89] PFRDA, *Common Stewardship Code*

CHAPTER 2

"THEORETICAL FRAMEWORK OF CORPORATE GOVERNANCE & INSTITUTIONAL INVESTORS"

2.1 Introduction to the 'Theoretical Framework' of "Corporate Governance"

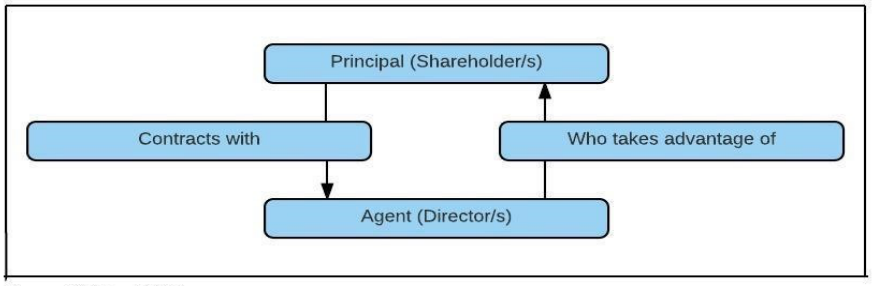
This chapter provides an overview of the theoretical framework employed in this research. In order to achieve this objective, five prominent theories within the field of corporate governance are examined. These theories have gained significant recognition and acceptance among scholars and practitioners in the discipline. The aforementioned ideas encompass: "agency theory, stewardship theory, resource dependence theory, institutional theory, and stakeholder theory".

Agency Theory

Agency theory provides a framework for comprehending the dynamics between many parties, where one assumes the position of the: "principal and the other acts as the agent (Eisenhardt, 1989)". "Jensen and Meckling (1976)" suggest that the majority of organisations can be regarded as legal constructs that function as a central point for a network of contractual associations among individuals. The fundamental proposition of this theory posits that when both parties involved in a relationship prioritise maximising their own utility, it is reasonable to expect that the agent will not consistently operate in the principal's best interest. The concept of agency theory originates from the fields of finance and economics, with its primary objective being the mitigation of conflicts that may arise between a company's management and its shareholders proposed that the existence of a division between ownership and control gives rise to an "agency problem." This division allows corporate directors to prioritise their own interests over the interests of shareholders. In a similar vein, Tricker (2015) posited that corporate directors may make choices that prioritise their own gains, even at the expense of shareholders, thereby disregarding the potential negative consequences of such decisions. Finding a resolution to this issue presents a considerable challenge due to the inherent divergence of interests between the involved parties. Figure 2.1

depicts the governance dynamics between principles, who are the shareholders, and agents, who are the directors.

Figure 2.1 The governance relationship.



Source: Tricker (2015).

It is noteworthy that agency theory has two dimensions that possess the potential to detrimentally impact a primary. According to Mallin (2016), it has been posited that an agent may opt to engage in actions that align with the principal's best interests. Directors may allocate company funds towards ventures that include a certain degree of risk, which may not align with the preferences or expectations of the shareholders (Tricker, 2015). Nevertheless, prospective investors possess the capability to assess and appraise the calibre of directors' choices through the examination of diverse reports disseminated by the organisation. Furthermore, the agency problem might give rise to the issue of information asymmetry. This scenario arises when there exists asymmetrical information between an agent and a principal regarding a corporation (Gillan and Starks, 2003). In actuality, it is common for an agent to possess a greater amount of information compared to a principal, given that the agent assumes "responsibility for the day-to-day operations of the organization". This scenario presents a circumstance in which an individual may manipulate confidential data to achieve their own objectives (Gomez & Wiseman, 2007).

The resolution of the agency problem becomes increasingly challenging as the managers' possession of information surpasses that of their owners.

Grossman and Hart (1983) and Mintz (2005) assert that effective management of agency costs, which emerge from the principal-agent relationship between managers and shareholders, is crucial for optimising business performance and enhancing shareholder value. Numerous scholars have proposed a range of procedures and strategies that can be employed in order to: “mitigate potential agency conflicts between managers and investors”. Shleifer and Vishny (1997) propose that a viable approach to mitigating agency costs involves the consolidation of a firm's shareholdings. It is imperative to acknowledge that the investigation of the involvement of: “blockholders in corporate governance systems” has garnered scholarly interest due to two key factors. According to Grossman and Hart (1983), shareholders with significant ownership stakes has the capacity to address the issue of free riding. Furthermore, the motivation of large-block shareholders to watch management is heightened as a result of the considerable authority and voting influence they possess. However, the effectiveness of larger owners in mitigating the agency problem may not always be optimal, since these entities may engage in the appropriation of private benefits, so disadvantaging minority investors. In the event that majority shareholders prioritise their interests at the expense of minority owners, it is likely that other conflicts between shareholders, such as the Principal-Principal dispute, may emerge.

Significantly, “institutional investors” possess the capacity to mitigate agency costs within the companies in which they allocate their investments. In light of the recent expansion of institutional investor engagement on a global scale, these investors possess the capacity to effectively oversee their investee enterprises. Moreover, this monitoring capability is achieved at a comparatively reduced cost in comparison to alternative investors. Moreover, “institutional investors” encounter persistent demands to enhance “governance practices” from many entities, such as government agencies, stock markets, and the ultimate benefactors of a corporation. Moreover, “the efficacy of stewardship codes and guidelines”, as highlighted by Haxhi and McNulty, is recognised in several countries. These codes and guidelines serve as valuable instruments for institutional investors to actively participate in discussions pertaining to corporate governance matters with their investee companies. The modes of involvement in this context might encompass a range of activities, including" "individual meetings, voting processes, shareholder proposals and resolutions, focus lists, and corporate governance rating systems". It has been observed that institutional investors frequently participate in discreet deliberations over matters of corporate governance.

One effective strategy for mitigating the issue of information asymmetry is granting external parties the opportunity to gather information pertaining to a company. In contrast to individual investors, "institutional investors" are frequently better positioned to gather and assess information as a result of the breadth of their holdings and the expertise they possess. Institutional investors possess a comparative advantage in actively monitoring investee firms compared to smaller investors due to the substantial costs involved in gathering and analysing information, as well as the expenses associated with implementing the resulting findings. The reason for this phenomenon is that owners with significant ownership stakes are able to absorb the substantial expenses related to monitoring. This is because the potential benefits derived from monitoring frequently outweigh the accompanying costs.

"The establishment of a well-organized corporate board is widely recognised as a crucial tool for mitigating agency costs and enhancing the effectiveness of corporate governance systems", the leadership of a corporation is the responsibility of its corporate board, and the success of the firm is contingent upon the effectiveness of this board. Moreover, Bertoni argued that a proficient corporate board has the potential to enhance firm value through two distinct mechanisms. One potential benefit of having a board of directors is the ability to safeguard the interests of financial providers by mitigating instances of managerial misconduct, hence resulting in a decrease in the cost of capital. Additionally, the presence of a board of directors can provide a company with a competitive edge through the enhancement of its positive reputation, facilitation of the establishment of a robust network of connections, and facilitation of strategic decision-making processes. Furthermore, the efficacy of a corporate board can be assessed in relation to many indicators. These indicators include the capacity to secure supplementary capital, bolster the value of the firm, increase stock prices, and deliver consistent returns to shareholders (Carlsson, 2001).

Several empirical studies have indicated that the makeup of a board of directors should be taken into account while aiming to mitigate agency expenses. One potential strategy for addressing the issue of: “balancing the interests of managers and shareholders is the recruitment of additional non-executive directors who possess independence from firm management” (Rosenstein & Wyatt, 1990). Moreover, external directors might assume a pivotal function in mitigating the agency dilemma, given their capacity to oversee a company's administration and safeguard the interests of shareholders. Furthermore, numerous scholars have underscored the significance of external directors in mitigating information asymmetry, hence augmenting the value of firms. Independent directors frequently exhibit a proclivity to voluntarily share supplementary information regarding the firm with the intention of safeguarding their own reputations. By doing so, these “independent directors” protect their reputation among the public and consequently establish a protection in case the corporation encounters failure in the future. Previous studies have suggested that the size of a board can have a positive impact on mitigating the agency problem. Directors of smaller boards frequently employ streamlined communication and coordination mechanisms, enabling them to more effectively evaluate the activities of management.

Moreover, the implementation of essential sub-committees, including “audit, remuneration, and nomination”, is regarded as a viable approach to mitigate the agency problem. Committees of this nature fulfil a significant function in overseeing the activities of a board, as their ability to monitor is: “derived from the authority bestowed upon them by the corporate board”. The establishment of such committees can also enhance the level of directors' dedication to a company, as each director is assigned specific responsibilities that they are obligated to fulfil. One potential solution to address the problem of inadequate board attendance is the use of board sub-committees. In this regard, particular duties and obligations are assigned to directors, who are then transferred these responsibilities during committee meetings. Additionally, as the size of a board increases, there is an anticipated decrease in the effectiveness of its directors. This matter can be resolved through the assignment of distinct duties to each committee, so enhancing the effectiveness and responsibility of each director. In light of the significant role that board sub-committees play in overseeing a company's management and enhancing the effectiveness of the board, it is anticipated that institutional investors would endeavour to enhance the composition and organisation of these pivotal sub-committees.

Vafeas asserts that the level of board activity, as quantified by the quantity and regularity of meetings, has a significant role in addressing the problem of agency costs. The author posited that in response to subpar performance, corporate boards tend to increase the frequency of their meetings, so augmenting their oversight function. Vafeas further underscored the significance of board monitoring in facilitating the identification of valuable projects, hence enhancing shareholder value. Moreover, the authors Brick and Chidambaran (2010) put out the contention that regulatory institutions have a significant impact on intensifying the demands imposed on companies to build boards that are both more autonomous and engaged. In recent years, there has been a notable rise in board activity, particularly in response to the implementation of the “Sarbanes-Oxley Act”. This legislation has emphasised the need for enhanced board oversight of management's activities.

Board busyness is a topic that frequently arises in the pertinent academic discourse. The acquisition of numerous directorships can lead to advantageous consequences. The perception of an individual director who occupies numerous positions is frequently associated with a favourable reputation, which tends to enhance the overall performance of the organisation. A director's favourable reputation is associated with a beneficial impact on the market. In contrast, the presence of a predominantly occupied outside directorship can have: “a negative impact on firm performance”. This argument posits that the presence of a busy board may exacerbate the issue of agency costs, as a busy board lacks the capacity to effectively oversee the administration of a corporation.

The ownership structure of publicly listed enterprises significantly influences the function of corporate boards. The ownership structure of a company can has an impact on the actions taken by the board of directors and the level of accountability they have towards various stakeholders. In organisations characterised by a: “dispersed ownership structure, the corporate board assumes an active part in the decision-making process”. On the other hand, in companies characterised by a concentrated ownership structure, significant shareholders holding substantial blocks of shares possess a greater capacity to influence the decision-making processes undertaken by the corporate board. “Within this particular framework, the occurrence of the second agency problem, known as Principal-Principal conflicts, arises between controlling shareholders and minority shareholders”. This issue arises due to the tendency of large-block shareholders to prioritise their own interests rather than that of the minority shareholders. Therefore, this discovery may serve as a catalyst for institutional investors to implement strategies aimed at diminishing the impact of shareholders. These strategies may involve the creation of advocacy organisations that strive to safeguard the rights of minority shareholders.

Upon careful examination of the aforementioned discussion on agency theory, it becomes evident that there exist certain limits that are inherently linked to this particular idea. An enduring issue within the realm of corporate governance pertains to: “the possibility of conflicts arising between dominant shareholders and minority shareholders, commonly referred to as 'Principal-Principal' disputes”. According to the findings of Young et al. (2008), Principal-Principal conflicts might potentially emerge due to many reasons, such as concentrated ownership and inadequate legislative safeguards for minority shareholders. In addition, it is important to note that agency theory overlooks the diverse range of stakeholders associated with a company, such as “suppliers, customers, creditors, and employees”. Employees have a significant part in the process of corporate governance reform. Furthermore, the “Model of Man” poses a noteworthy constraint. This theoretical framework posits that individuals driven by self-interest will logically strive to maximise their own economic benefits. This particular approach is characterised by its emphasis on individualism and its focus on resolving conflicts that arise between: “managers and owners”.

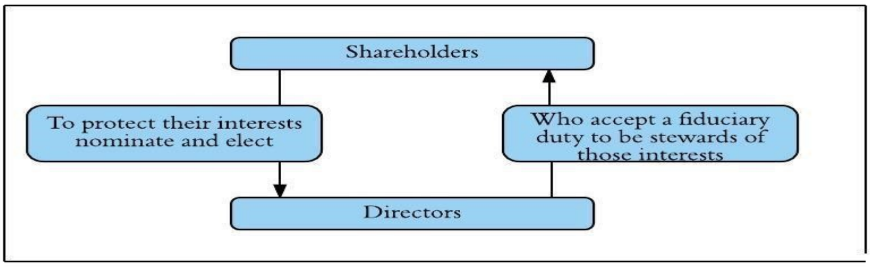
However: “Davis also posited that the utilisation of self-benefits may not be universally applicable to all managers”. Consequently, the stewardship idea was implemented, positing that managers are motivated not by self-interest but rather by the objective of fulfilling shareholders' requirements.

“The following section explains this theory””

“Stewardship Theory”

“The concept of stewardship theory emerged from the fields of sociology and psychology and was first proposed by Donaldson and Davis in 1991. The stewardship idea places emphasis on the conduct of a corporation and its leadership, encompassing both corporate boards of directors in Anglo-Saxon nations and supervisory boards in Germany”. The notion being discussed is regarded as a potential substitute for agency theory. Stewardship theory posits that directors, who are elected by shareholders, are inherently driven to fulfil the requirements and interests of shareholders (refer to Figure 2.2). Directors of such organisations should have a strong inclination towards achieving high performance and establishing a reputation as responsible custodians of the company's resources. If verifiable, the endeavours of directors will result in favourable consequences that advantage all stakeholders. Moreover, in accordance with stewardship theory, the conduct of stewards is characterised by collectivity. Stewards strive to attain the objectives established by the organisation, resulting in possible advantages for shareholders such as enhanced earnings, dividends, and share prices.

Figure 2.2 : The shareholder/director relationship.



Source: Tricker (2015).

According to the "stewardship theory" proposed by "Donaldson and Davis", the notion of: "conflicts of interest between management and shareholders" is deemed non-existent, and any possible issues related to executives' motive are not inherent. Consequently, it may be anticipated that shareholders will experience enhanced financial gains, given the senior management's capacity to exert proficient governance over the organisation (Muth & Donaldson, 1998). Nevertheless, it should be noted that the "aforementioned explanation does not imply that a steward disregards his own survival requirements". On the contrary, a steward should recognise that fulfilling organisational objectives and goals can also serve to fulfil his own needs. Therefore, it is important for a responsible steward to acknowledge that the advantages of achieving organisational objectives outweigh the benefits that might be derived from individualistic actions.

When examining the disparities between agency theory and stewardship theory, it is imperative to take into account multiple dimensions. The objective of stewardship theory is to grant authority to the higher-level executives inside an organisation, as opposed to overseeing and regulating their actions. "The effectiveness of CEOs who are regarded as stewards": is enhanced when the corporate governance framework grants them increased levels of power, particularly when these CEOs also hold the position of board chairs. According to stewardship theory, this structure is considered functional, as it aligns with the perspective that CEOs are utility maximizers who prioritise organisational objectives over their personal interests. Nevertheless, the adoption of such a framework is not deemed favourable within the context of the agency theory's

“Model of Man”. As per this theoretical perspective, chief executive officers (CEOs) are susceptible to the risk of entrenchment. The influence of this factor on the board's “decision-making process” may result in their adoption of strategies such as corporate policy pay-out plans.

The directors exhibit a greater level of commitment towards: “business performance and success compared to shareholders, who may only prioritise short-term gains”. Moreover, the researchers posited that executives responsible for the day-to-day functioning of a company possess a more comprehensive understanding of the firm's objectives compared to external directors. From a stewardship standpoint, it may be argued that when there is a better degree of alignment of: “interests between managers and shareholders, it results in enhanced business performance”.

Nevertheless, stewardship theory is subject to certain limitations. Davis et al. (1997) posited that the cultural context in which a corporation operates influences the application and effectiveness of stewardship theory. In the context of an individualistic culture, it is plausible that directors of a firm may prioritise their personal interests over the interests of shareholders. Moreover, the theory neglects to take into account the diverse “interests of different stakeholders within an organization”. As an illustration, certain institutional investors, such as investment fund managers, may prioritise achieving immediate financial gains, whereas others, such as pension funds, may exhibit a preference for attaining long-term outcomes. In light of the implications associated with “stewardship theory”, it is expected that a corporate board will implement tactics aimed at enhancing the governance structure of a corporation. It is crucial to note that these measures should be in line with the interests of shareholders.

Resource Dependence Theory

The theory in question was first proposed by Salancik and Pfeffer (1978), who placed significant emphasis on the notion that the continued existence of a corporation is contingent upon its capacity to acquire essential resources that contribute to the overall augmentation of shareholder value. Tricker (2016) posits that the resources encompassed within this context may encompass prospective clientele, rivals, financial accessibility, as well as other avenues of funding, affiliations with other enterprises, and “political or social networks”. In order to attain success, it is imperative for a firm's corporate board to establish affiliations with external entities, thereby diminishing reliance and acquiring necessary resources.

Establishing a connection between a corporation and its external environment yields four advantageous outcomes, namely: the cultivation of network connections among directors, the facilitation of horizontal coordination, the promotion of vertical coordination, and the acquisition of “expertise and reputation”. The establishment of horizontal connections among directors might enhance communication opportunities, hence facilitating the effective flow of information pertaining to relevant issues. Moreover, the establishment of vertical connections between directors and a company's clientele and suppliers assumes a crucial function in enhancing the understanding of the external milieu. The utilisation of such information may be leveraged by the directors of a firm, so enabling them to make informed decisions that will contribute to the overall success of the firm. This concept aligns with the work of Pfeffer, wherein the author posited that the management of “external stakeholders can be effectively accomplished through the use of the board members' network”.

Moreover, the concept of board capital, which encompasses the human capital and social capital of directors, serves as a useful asset that enhances the “board's ability to properly oversee the actions of management”. These board resources supply a corporation with the capacity to comprehend the milieu in which it operates. Moreover, the inclusion of directors with diverse attributes such as: “gender, age, nationality, ethnicity, and education can effectively support multiple functions of the corporate board”. The presence of diverse directors can contribute to enhanced decision-making processes. The diverse directors can improve managerial monitoring, while research conducted by Harjoto et al.

(2015) suggests that they can also fulfil the needs of stakeholders. Furthermore, Hafsi and Turgut (2013) argue that the inclusion of diverse directors can draw attention to the ethical dimensions of firm activities. Salancik and Pfeffer (1978) posited that success is contingent upon effective coordination among all participating organisations, drawing upon the implications of resource dependence theory.

The acquisition of necessary resources may be hindered by a lack of coordination, resulting in a reduced quantity of resources obtained from the immediate surroundings. Within the framework of this research, it is anticipated that institutional investors will employ the available resources of a company by actively endeavouring to enhance diversity characteristics within the governing boards of the enterprises in which they have invested. These diversity qualities: “encompass gender, age, nationality, and educational diversity”.

<u>“Institutional Theory”</u>

The concept of “institutional theory” has its origins in the disciplines of economics and sociology. It pertains to the phenomenon through which various: “structures, including norms, rules, and routines, are established as authoritative directions for social activity”. This theory additionally elucidates the process by which these elements are disseminated and assimilated over a period of time. In essence, institutionalisation pertains to the recurring procedures that have attained comparable interpretations during a specified timeframe. An organisation is a dynamic entity that undergoes adaptation as a result of the qualities, influences, restrictions, and commitments of its participants. In addition, Scott (2004) observed that: “the processes of an organisation are influenced by its external environment”. In accordance with the principles of institutional theory, organisations strive to establish legitimacy and ensure their long-term viability by aligning their organisational structure with “prevailing institutional norms”. Furthermore, it is worth noting that firms are subject to the effect of social norms that prevail in their external social context, as highlighted by Granovetter. In the realm of “corporate governance practises, a number of scholars" have posited that the structures of "corporate governance" are influenced by the "institutional environments" in which they exist.

Additionally, DiMaggio and Powell (1983) posited that: "the institutional context in which a firm operates" can contribute to the emergence of formal organisational structures within the organisation. Moreover, the influence exerted by diverse institutions can afterwards result in the standardisation of organisational frameworks. Hence, within the framework of this study, institutional investors possess a strong capacity to exert influence on their investee companies, compelling them to embrace robust governance frameworks. The aforementioned stance is substantiated by the existence of: "national corporate governance and stewardship codes", which are frequently formulated and modified throughout the course of time. Numerous corporate governance codes and standards have been produced on a global scale with the aim of encouraging companies to establish and execute robust governance frameworks. An instance of this can be observed in the issuance of a collection of corporate governance principles by the "Organisation for Economic Co-operation and Development (OECD)" in the year 1999, then undergoing revision in 2004. "The OECD Principles of Corporate Governance offer guidelines to policymakers, regulators, and market participants aiming to improve the legal, institutional, and regulatory frameworks supporting corporate governance practices worldwide". The principles outlined by the OECD have been utilised as a framework for corporations aiming to develop corporate governance standards in some nations. There is a strong argument that: "international principles play a significant role in regulating the interactions between managers and shareholders, as well as among stakeholders such as employees and creditors". These relationships are crucial for promoting economic efficiency and instilling "market confidence".

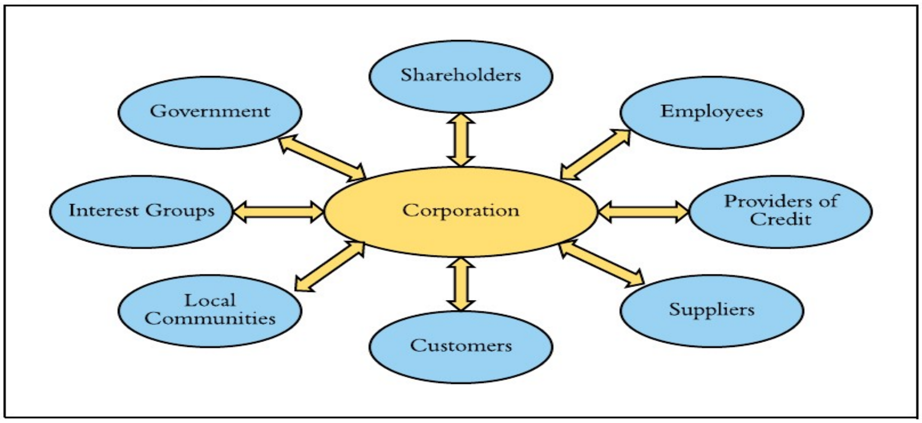
"The International Corporate Governance Network (ICGN)" was established in 1995 and consists of members from various global regions. Its membership encompasses: "significant institutional investors, investor representative groups, companies, financial intermediaries, academics, and other relevant stakeholders". The primary aim of the International Corporate Governance Network (ICGN) is to foster a global discourse on topics pertaining to corporate governance. In pursuit of this objective, the International Corporate Governance Network (ICGN) released its Statement on Global Corporate Governance Principles in 1999, which underwent subsequent revisions and updates in 2009 (Mallin, 2016). The new principles encompassed a range of governance concerns, such as: "corporate board protocols, corporate culture, risk management strategies, compensation schemes, audit mechanisms, disclosure and transparency protocols, shareholder entitlements, and shareholder obligations". In 2016, the "International Corporate Governance Network (ICGN)" released its inaugural stewardship code. This code seeks to provide a comprehensive international framework for institutional investors to adhere to in order to promote effective stewardship practises.

Furthermore, Kostova et al. (2008) argued that multinational corporations have the capability to function within broader institutional contexts, as their exposure to a variety of practises enables them to adopt suitable patterns and approaches. Hence, the implementation of corporate governance and stewardship standards at both national and international levels can exert supplementary influence on corporations, compelling them to embrace optimal governance practises. Moreover, it is anticipated that "institutional investors" will have a substantial impact in driving their "investee companies" to adopt positive governance frameworks.

Stakeholder Theory

According to Freeman (1984), in his influential work on stakeholder theory, it is imperative for effective managers to: "take into account the concerns and interests of the diverse stakeholders associated with a company". Stakeholder theory extends beyond the conventional focus on the interactions between agents and principals, encompassing other entities inside the corporate structure (Freeman, 1984). In addition, this theory presents a critique of the prevailing belief that the fundamental mission of a corporation is to maximise shareholder value. Instead, stakeholder theory posits that the principal aim of a company is to meet the needs and interests of all individuals and groups connected to the organisation. The primary responsibility of a firm's management is to take into account the interests of different stakeholders in order to safeguard the long-term viability of the organisation. Mallin (2016) categorises stakeholders based on their association with the company, distinguishing between those with direct relationships, such as employees, credit providers, suppliers, and customers, and those with indirect relationships, including: “local communities, environmental groups, and governmental bodies” (refer to Figure 2.3 below). As an illustration, it is incumbent upon a company to fulfil its fiduciary duty towards its creditors by maintaining solvency and honouring its financial obligations (Boatright, 1994). Paying up debts in a timely manner is advantageous for companies as it fosters the development of strong relationships with financial providers. In addition, suppliers play a crucial role in providing a firm with distinct goods and services. It is worth noting that in situations where a company faces a shortage of funds, suppliers may have negative consequences. Likewise, “employees own a vested interest in their organisation”, given that it serves as the primary provider of their financial earnings. Furthermore, employees may exhibit heightened levels of anxiety regarding a company's pension fund scheme, since it represents a crucial resource that they will inevitably rely upon in the future. The viability and prosperity of this plan are contingent upon: “the company's sustainability and achievements within the competitive marketplace”. In the context of corporate governance systems in German and French corporations, employees are actively involved in the process of electing representatives to serve on corporate boards. In addition, it is worth noting that banks, as the entities responsible for extending credit, have the ability to appoint directors who advocate for: “their interests on supervisory boards”.

Figure 2.3 The corporation and its stakeholders.



Source: Mallin (2013).

There exist a "multitude of regulations and guidelines" that delineate the respective responsibilities of shareholders and stakeholders, as well as elucidate the methods by which the interests of these entities can be effectively integrated into a "company's corporate governance framework". An illustration of this can be seen in the "OECD's Principles of Corporate Governance (2004)", where one principle is specifically devoted to elucidating the involvement of stakeholders in the realm of corporate governance. As per the aforementioned principle, the corporate governance framework ought to acknowledge the legally established" "rights of stakeholders or those established through mutual agreements. Furthermore, it should foster active collaboration between corporations and stakeholders in order to generate wealth, employment opportunities, and ensure the sustainability of financially stable enterprises" (OECD, 2004). According to Mallin (2016), this principle highlights two key aspects. Firstly, the rights of stakeholders are contingent upon the legal frameworks pertaining to stakeholders within a specific jurisdiction. Secondly, stakeholders are not actively involved in: "corporate governance unless they possess access to pertinent information that enables them to effectively participate in the decision-making process".

"Institutional investors" play a significant role as stakeholders in several firms, with their holdings experiencing substantial growth in recent times. "Institutional investors" demonstrate a multifaceted interest in their enterprises beyond mere financial success. They also exhibit a keen concern for many dimensions of organisational life, such as the corporate governance framework within their firms. Therefore, it is anticipated that investee enterprises will take into account the perspectives of institutional investors in relation to the form of corporate governance.

According to Mallin (2016), the participation of shareholders and stakeholders is contingent upon the legal and cultural frameworks of a nation, as well as the specific strategies employed by different companies. Moreover, boards are faced with the substantial issue of taking into account a wide range of stakeholder interests. One potential impact of having “employee representatives on a supervisory board” is the potential influence on decision-making processes, which could result in outcomes that are advantageous for employees but may not align with the overall interests of the organisation.

Multiple Theoretical Frameworks

Kumar and Zattoni (2015) argue that it has become imperative to incorporate diverse theoretical frameworks in corporate governance studies. The utilisation of diverse theories allows scholars to expand their comprehension of global governance phenomena and analyse research outcomes through several theoretical frameworks (Zattoni & Van Ees, 2012). In their study, Zattoni and Van Ees (2012) conducted a survey of the articles published in the Corporate Governance: An International survey magazine over the period of 2008 to 2010. One of the primary conclusions drawn from their analysis was that a significant majority of the research on corporate governance are based on the theoretical underpinnings of the “agency theory”. Hence, there is an encouragement for scientists to expand the theoretical framework of “corporate governance” research by embracing different theories in lieu of the agency theory. Therefore, this study included five primary theories: “agency theory, stewardship theory, resource dependence theory, institutional theory, and stakeholder theory”. The aforementioned theories were incorporated into a comprehensive framework in order to comprehensively examine the impact of institutional investors on enhancing corporate governance within the firms they invest in. Additionally, this framework aimed to determine whether the relationship between institutional investors and corporate governance structure is influenced by various institutional factors such as: “economic conditions, legal systems, and ownership structures”.

Annexure 3 presents a concise overview of the theories that have been examined and analysed in the preceding chapter. This summary provides an overview of the various theories mentioned, focusing on their core concepts, dominant views, mainstream notions of corporate management, established disciplinary practises, historical development, and pertinent criticisms.

The field of corporate governance comprises a range of significant theories. The subsequent sections will address several relevant and noteworthy facets pertaining to this study.

The development of Agency Theory and its application in the realm of Corporate Governance:

The matter of harmonising the interests of managers and proprietors has been a popular topic of discourse ever since the “separation of ownership and management” inside an organisation. In the year 1776, Adam Smith posed a question concerning the division between ownership and control, arguing that this division led to insufficient motivations for managers to efficiently oversee the firm.

The current prevailing framework of Corporate Governance is founded upon the theoretical foundations outlined in the influential publication by Berle and Means (1932). This study elucidates the issue of agency conundrum within modern corporations, which arises from the separation of ownership and control. The fact in question has been openly mentioned by the authors.

The often-proposed assertion is that the individual who possesses a horse assumes the duty of ensuring its nourishment in the case of its continued existence, as well as its proper burial in the event of its death. In contrast, the shareholder is not subject to this responsibility. The owner of the shares lacks significant influence over the underlying asset through personal efforts. The ethical and moral standards that were previously linked to ownership have become disassociated from it. The responsibility and fundamental nature that were previously inherent in ownership are now being transferred to a separate entity that exercises control.

According to Shleifer and Vishny (1997), the fundamental issue of the agency problem is in the absence of congruence between management and finance, or, in more traditional language, the division between ownership and control. Business owners and managers frequently seek capital from investors with the objective of making advantageous investments. Investors rely on the management's “specialised human capital to generate returns on their funds, while the manager” is dependent on the investor's funds due to a constrained availability of cash for investing purposes. Investors face a dilemma about the challenge of safeguarding themselves against the potential risk of retaining valueless documentation that has been issued by the manager subsequent to their investment of funds. The term "agency issue" pertains to the difficulties encountered by investors in effectively protecting their financial assets against potential misuse or allocation towards negative ventures.

The idea of the firm's ownership structure was developed by Jensen and Meckling (1976) through the integration of notions derived from agency theory, property rights, and finance. The concept of agency costs was initially proposed by the authors, which encompasses the diverse expenditures borne by the principal in overseeing the agent, the economic costs associated with ensuring the agent's compliance, and the resulting residual economic detriment.

The authors suggest that the existence of agency costs is an inescapable outcome of the association between investors and management. The authors suggest that contractual relationships are inherent to the fundamental nature of a business, encompassing not only its employees but also suppliers, customers, creditors, and other stakeholders having a vested interest in the firm. As per their assertion, a significant proportion of companies function as a central point for a network of contractual associations among individuals. The major responsibility for agency costs falls upon decision-makers, who are motivated by financial incentives to minimise these charges.

The concept of corporate governance has been ascribed to its function in resolving the agency problem in prior periods.

<u>The Stakeholder Theory and the Stewardship Theory represent distinct conceptual frameworks that can be employed as alternatives for the purpose of corporate governance:</u>

In their seminal study, Shleifer et al. (1997) conducted a comprehensive survey to investigate the corporate governance framework in Japan and Germany. In the aforementioned nations, corporate and institutional blockholders assume a substantial part in the oversight process, and a distinct structure for corporate governance has been implemented. The stakeholder perspective on corporate governance, which is commonly linked to Japanese and continental European practises, particularly in Germany, is characterised by the incorporation of many stakeholders in the decision-making processes. In the German context, it is legally stipulated that 50% of the positions on the “supervisory board must be occupied by representatives of the employees”. Furthermore, it is worth noting that throughout history, individuals occupying seats on the board have predominantly consisted of individuals from the banking sector and significant shareholders with substantial ownership stakes.

The concept of stakeholders in the field of corporate governance theory is commonly attributed to Freeman's (1994) articulation, in which stakeholders are defined as "any group or individual entity with the ability to exert influence on, or be influenced by, the goals of a corporation." The genesis of this notion can be ascribed, to some extent, to the acknowledgement of the intricacy inherent in the process of strategic decision-making and the realisation that an organisation is not solely a production system centred on products and their manufacturing procedures.

Freeman (1994) explicated the fundamental concepts of the stakeholder theory by formulating two crucial inquiries. The central inquiry pertains to the organization's purpose or rationale for its existence. This necessitates managers to clearly express the collective understanding of the value they create, the elements that unite the primary stakeholders, and the catalyst for the company's progress, thereby facilitating exceptional performance, evaluated in relation to both its mission and financial indicators in the market.

In numerous legal regimes, the directors bear exclusive responsibility and are held accountable to the shareholders, albeit within a restricted legal framework. Nevertheless, the accountability of corporations is undergoing a transformation as a result of mounting public pressure stemming from instances of corporate governance scandals and environmental concerns. This shift is occurring through the adoption of more extensive corporate governance standards, which are broadening and redefining the parameters of accountability.

Alternative viewpoints on strategy argue that the presence of stakeholders' vested interests in a company's strategy does not automatically mean that these interests should be considered the main purpose of corporate efforts. Ansoff (1987) has put up a persuasive critique of the stakeholder model, wherein he distinguishes between the "responsibilities" that a corporation holds towards individual stakeholders and its overarching "purpose."

Another argument against the stakeholder theory suggests that shareholders assume all of the investment risk, while suppliers, customers, and employees, on the other hand, benefit from the corporation and have the protection of prior contractual agreements in case of any unfavourable events.

The stakeholder theory, in its comprehensive form, challenges the notion that directors and managers are only responsible to the shareholders of the organisation. Freeman (1994) posits that stakeholders acquire legitimacy by virtue of their capacity to exert influence over the direction of the organisation. Consequently, it is reasonable for management to deploy resources in order to effectively answer the requirements and concerns of stakeholders. However, it is crucial to acknowledge that this statement lacks sufficient evidence to support the argument that these persons and organisations truly embody the ultimate goals of corporate purpose, which corporatism aims to achieve.

Freeman, Wicks, and Parmar (2004) argue that the stakeholder perspective occasionally takes an extreme position by asserting that while shareholders are an important stakeholder group and profitability is a vital aspect of business operations, the generation of value is a result rather than a driving force of pursuing profits. When examined from a normative perspective, the stakeholder theory asserts that managers have a moral obligation to administer the operations of a firm in a manner that promotes the overall welfare of all stakeholders, regardless of whether such stakeholder management leads to improved financial outcomes. The aforementioned conclusion is expected to provoke strong opposition from a considerable portion of entrepreneurs. The aforementioned perspective served as the impetus for Friedman (1970) to craft his widely recognised counterargument, asserting that the primary responsibility of corporations is to maximise financial gains. As per Friedman's perspective, it is imperative for enterprises to effectively utilise their resources and engage in undertakings that aim to enhance their financial profits, as long as they operate within the parameters of fair and equitable competition, refraining from any fraudulent or deceptive practises.

The Stewardship Theory proposes that individuals in positions of management and on company boards are motivated by factors that extend beyond their own financial interests, therefore forming the basis for a framework of corporate governance. Drawing upon insights derived from the discipline of organisational psychology, it is posited that the cognitive process of individuals in making decisions is significantly impacted by variables such as self-esteem and fulfilment. This observation is congruent with the theoretical framework delineated in Maslow's hierarchy of needs.

The Stewardship Theory, proposed by Davis, Schoorman, and Donaldson (1997), incorporates elements derived from the disciplines of psychology and sociology. The concept entails the idea that a steward, usually an executive or manager inside an organisation, bears the responsibility of protecting and enhancing the shareholders' wealth by effectively managing the company's performance. This assertion is grounded on the assumption that by engaging in such actions, the steward is able to optimise the overall effectiveness and efficiency of their utility functions.

Donaldson and Davis (1991) have put forth the Stewardship Theory as a normative framework, asserting that individual directors should prioritise the interests of others over their own.

<u>Expanding upon the Stewardship Theory, the concept of Trusteeship is introduced:</u>

There is an increasing corpus of empirical research that suggests a discernible shift towards a governance framework that places a high emphasis on inclusivity. This model not only emphasises the significance of creating value for shareholders, but also acknowledges the obligation towards all stakeholders and the fair allocation of wealth. Moreover, it is aligned with the broader socioeconomic requirements.

The global occurrence and magnitude of corporate fraud and deceit in the 21st century have emphasised the necessity for profit-oriented organisations to recognise the consequences of their behaviours on the natural environment and society.

According to Balasubramanin (2008), the Indian tradition possesses a substantial amount of information and direction that has the potential to become the foundation for a framework. Mahatma Gandhi has emerged as a significant advocate and mediator for a model of governance in current times. The author posits that the tenets of Trusteeship, truth, nonviolence, and satyagraha (sometimes referred to as truth-force) within Gandhian philosophy not only exhibit compatibility with, but also surpass the concepts expounded in the literature.

Gandhi's proposition of Trusteeship transcends conventional notions of stewardship, generosity, and social responsibility. Stewardship and generosity are two discrete notions. Stewardship is founded upon shared principles and confidence, encompassing the conscientious administration of an organisation. In contrast, philanthropy involves making contributions towards endeavours that advance a virtuous purpose. While it signifies endorsement and encouragement for the cause, it does not necessitate any modification of the donor's intentions or conduct beyond the act of donating funds.

The concept of trusteeship involves a broader array of viewpoints than those commonly associated with traditional stakeholders and relates to the expected responsibilities of all segments of the population. The statement also delineates the responsibilities and commitments of the organisation towards its wider social framework, with special attention on individuals or groups who may experience marginalisation.

The notion of trusteeship does not inherently require the redistribution of resources beyond an individual's essential needs. Instead, it requires that any excess resources be maintained in a trust with the intention of meeting the needs of the society. According to the ideals espoused by Mahatma Gandhi, there is no inherent limitation on an organization's pursuit of a goal that seeks to maximise wealth.

According to Balasubramanian (2008), there is a growing recognition among corporations in both India and the Western world regarding the board's duty to effectively manage the interests of shareholders by safeguarding and enhancing their wealth. Additionally, corporations are now more inclined to consider the aspirations of stakeholders and fulfil their broader societal obligations. The aforementioned acknowledgment is seen in the behaviours exhibited by numerous organisations.

Mitra (2008), an expert in the field of development, argues that the trusteeship model put forward by Gandhi has not achieved the desired outcomes. The insufficiency in achieving achievement is mostly ascribed by the author to the deficient execution of the concept. According to Mitra (2008), the execution of trusteeship is a complex and ambitious undertaking that cannot be accomplished within a short timeframe. Instead, it requires a simultaneous process of transformative change among the individuals engaged in order for it to achieve success. The author notes that Mahatma Gandhi attributed significant spiritual and religious meaning to trusteeship, effectively merging it with Western legal concepts of trusts and liberal philosophy in order to develop the concept of trusteeship.

Historically, board members have traditionally subscribed to the principles of the Agency Theory, which prescribes that their decisions and behaviours need to promote the optimisation of shareholder value. However, under specific conditions, such as the presence of well-defined organisational mission statements, the applicability of “Stakeholder Theory or Stewardship Theory may arise”.

2.2 Introduction to the “Theoretical Framework of Institutional Investors”

Not all players within the stock market can be categorised as retail investors or individual stakeholders who partake in the purchase and sale of bonds and stocks according to their personal preferences. Furthermore, there are notable entities that actively participate in the trading of securities to a considerable extent, occasionally serving as intermediaries for commercial banks, mutual funds, and similar entities.

In the financial market, Institutional Investors, denoted as prominent entities engaged in security trading, assume the primary responsibility for executing the majority of trades. Institutional investors adopt investment techniques that differ from those utilised by individual investors, generally as a result of their heightened access to financial markets.

The phrase "Institutional Investor" denotes an institution or organisation that allocates substantial sums of capital across diverse financial markets, including stocks, bonds, and real estate, with the objective of generating returns for its clients or members.

An “Institutional Investor” is a formally acknowledged entity that consolidates funds from multiple individual investors or other legal entities, and subsequently distributes these funds across diverse financial instruments, such as stocks, bonds, commodities, and other investment vehicles. In essence, these individuals partake in investing endeavours on behalf of their clientele, utilising their advanced degree of knowledge as investors and vast skills in the field of investment. In contrast to individual investors, institutional investors exhibit a higher capability for undertaking thorough evaluations, encompassing risk and return estimates, and are adept at constructing sophisticated financial models. Consequently, institutional investors exhibit a considerably reduced propensity to engage in poor investment decision-making.

As stated before, there are notable distinctions between the approaches and strategies utilised by institutional investors in the financial markets compared to individual investors. Let us undertake a thorough examination of the juxtaposition between the two entities.

What are the distinctions between Retail/Individual Investors and Institutional Investors?

A retail investor is an individual who participates in securities trading by utilising the services of brokerage firms or other intermediaries. In contrast, institutional investors engage in investment activities on behalf of retail investors.

Institutional investors have the capacity to access a diverse array of assets and markets, which encompasses exclusive: “private investment opportunities that are typically inaccessible to individual retail investors”. Private investment alternatives can encompass “institutional real estate” and “private stock placements”.
Retail investors, who engage in investment activities on an individual basis, generally allocate relatively lower sums of capital compared to institutional investors.

The impact of institutional investors on the demand and supply of securities has considerable importance, leading to direct implications for the price volatility of those securities. The primary factor contributing to this phenomenon is the significant disparity in investment magnitude between institutional and ordinary investors.

In comparison to retail investors, institutional investors demonstrate a diminished vulnerability to emotional biases.

What are the various categories of “institutional investors”?

In the context of the Indian financial markets, institutional investors are classified into two primary categories: Foreign Portfolio Investors (FPI) and local Institutional Investors (DII). This classification is based on the source of their investments, distinguishing between investments originating from local institutions and those originating from foreign institutions.

The market consists of a diverse range of institutional investors who possess expertise in specific asset classes and adhere to unique investing strategies. The following items are enumerated:

1. Hedge funds are a prominent subset of institutional investors operating within the financial industry. Hedge fund investors commonly face extended lock-up periods, wherein they encounter restrictions on redeeming their investment and withdrawing from the fund. In addition, hedge funds sometimes use a concentrated investment strategy, wherein a considerable amount of their funds are committed to a limited number of assets. This method exposes them to enormous potential gains and losses. As a result, hedge funds are considered to be a more aggressive and risky class of assets.

2. Mutual funds represent a form of investment that provides investors with the opportunity to diversify their portfolios across multiple businesses and sectors within the market. The main goal of these investment vehicles is to mitigate the potential for experiencing financial losses for its stakeholders through the practice of diversification. Mutual funds often do not possess significant obstacles to entry for investors and are readily available to both individual and retail investors, even with a relatively small investment amount. Mutual funds are commonly perceived as an attractive investment option with relatively lower risk, particularly for individuals who are new to investing.

3. Insurance firms are often recognised as institutional investors who possess considerable power. Insurance businesses efficiently manage the premiums received from investors by strategically investing them in assets, so generating returns that are then employed to reimburse the investors. Due to the considerable premium acquired and afterwards spent, they have emerged as a noteworthy institutional investor with the capacity to have influence on the financial markets.

4. Endowment funds are frequently established by non-profit organisations, like universities, hospitals, and charitable foundations, in order to manage their financial assets. The funds generated through investment activities are typically required to be allocated towards supporting the endeavours of the beneficiaries, such as providing scholarships and other associated projects.

5. Pension funds are established by the financial contributions made by pension plans. Both employees and employers possess the capacity to make contributions to pension schemes. The accumulated cash is often allocated to income-generating and stable investments, aligning with the basic goal of pensions to generate a dependable and regular income stream.

Based on documented research, it has been observed that substantial shareholders hold a notable advantage or motivation to exercise influence over the "managers of a company and their decision-making procedures". The categorization of significant shareholders can be broadly delineated into two groups: insiders and outsiders. When financial institutions possess a greater proportion of ownership as external entities, they tend to exercise oversight over corporate management's policies and activities, thereby reducing agency problems. This phenomenon has been observed to exert a favourable influence on both the governance of corporations and the performance of firms.

Institutional monitoring efforts exert influence on various dimensions of a corporation, including but not limited to the composition of the corporate board, CEO remuneration, accounting practises and disclosures, and investment strategies. Numerous research projects have been conducted to investigate the impact of different categorizations of institutional investors. According to Douma et al. (2006), the influence of these institutions on a company's performance is subject to variation as a result of resource heterogeneity. Likewise, their ability to tackle issues related to agency problems and exert influence on governance exhibits a wide range of variations.

The historical timeline of institutional investing operations in India is quite concise. The Indian market was predominantly characterised by a limited number of institutions, primarily under government ownership. Following the implementation of economic reforms in 1991, there was a notable expansion in the climate conducive to institutional investors. The Indian government has developed policies with the objective of promoting private sector participation and attracting foreign investment in the financial markets of the country. Since that period, there has been a significant increase in “institutional investment”.

“The relationship between ownership and firm performance”:

The scholarly discussion over the impact of ownership structure on company performance can be attributed to the pioneering investigation carried out by Berle and Means (1932). An enquiry has been raised concerning the control of the contemporary corporation, particularly with regard to the individuals or entities that possess this authority. The current discussion revolves around the challenges faced by prominent corporate organisations in which ownership is divided among minority investor-shareholders, while management retains control.

Several academic studies have anlaysed the role of managers in achieving the objectives of shareholders. The discussion revolves around the emergence of potential conflicts of interest and agency problems among a range of stakeholders. This can be attributed to two key factors. Firstly, there is a presence of conflicting goals stemming from the diverse preferences and objectives of these stakeholders. Secondly, there is a lack of sufficient information among stakeholders regarding each other's actions, which leads to disagreements regarding the assignment of responsibility for a firm's success or failure. Roe (1990) argues that the dispersed ownership structure is deficient in providing the requisite incentive for individual owners to assume the responsibility of overseeing managerial activities. In situations where a solitary shareholder undertakes the task of monitoring, the costs incurred are borne exclusively by that individual investor, whereas the benefits are shared among all shareholders. The aforementioned situation gives rise to a free-rider dilemma, as highlighted by Shleifer and Vishny in their seminal work published in 1986.

<u>"Institutions as Large Shareholders":</u>

The expansion of "institutional investment" in global equity markets has resulted in financial institutions becoming as the dominant investor group in numerous countries, particularly those with robust regulatory and governance frameworks. Institutions, acting as significant shareholders, actively engage in addressing the challenges associated with "dispersed ownership". Pozen (1994) posits that individuals are inclined to exhibit heightened vigilance and motivation in order to improve managerial efficiency and performance, driven by their fiduciary obligation. According to Webb et al. (2003), the limited size of institutional investors can impede their ability to engage in activism and exert influence on business performance due to the combination of greater transaction costs and smaller monitoring advantages.

<u>"The role of institutional investors as monitors and decision influencers":</u>

The phenomenon of institutions assuming a monitoring role has been observed throughout a significant period of time, as evidenced by historical records. Gillan and Starks (2007) discovered that financial institutions in the "United States" have actively engaged in corporate governance initiatives since the early 1990s. Nevertheless, it was only in the mid-1990s that these investors commenced their involvement in activism. The market regulators in different nations were compelled to pursue remedies in light of the ramifications of bankruptcy and governance crises. There existed a perceived need to advocate for the development of institutions that could fulfil the role of external monitors for corporate managers. In the United States, Rule 14a-8 of the "Securities and Exchange Commission (SEC)", in the "United Kingdom, the Cadbury Committee, and in India, the CII Committee", together with analogous committees in several other countries, advocate for the significance of institutional monitoring. It is advisable for institutional investors to utilise their influence, which stems from their consolidated holdings and voting power, in order to guarantee that the firms they invest in comply with the governance code and ethical standards.

In contemporary times, institutional investors have emerged as the primary holders of equities in several nations, including... Extensive scholarly research has been conducted on the monitoring role played by institutional investors in “Australia, the United States, and the United Kingdom”. Numerous studies have posited that the motivation to oversee and exert influence over managerial decisions exhibits variation across different types of institutions. Brickley classified institutions into two categories: “pressure-sensitive and non-pressure-sensitive”. In contrast, Karpoff (2001) proposed three distinct perspectives on institutional behaviour. Firstly, institutions engage in monitoring the management of firms and leverage their relationships to exert direct or indirect influence on organisational changes. Secondly, institutions adopt an active investor role and intervene in management decisions. Lastly, institutional investors prioritise short-term performance to achieve immediate gains rather than waiting for long-term returns. Based on the analysis conducted by Elyasiani and Jia (2010), financial institutions are found to fulfil three separate duties, which include: “active monitoring, passive monitoring, and cooperating with managers to exploit the vulnerabilities of small retail investors”.

The existing body of literature has highlighted various elements that contribute to the diverse and heterogeneous nature of institutional monitoring. To ensure the proper consideration and respect for shareholders' interests, institutional investors actively engage in overseeing the conduct of a company's board. Institutional investors have a tendency to choose companies that demonstrate exceptional corporate governance practises. Evidence of a relationship between institutional investments and stock liquidity. The authors Gompers and Metrick (2001) have shown a correlation between the size of a company and the level of institutional investments. Similarly, Grinstein and Michaely (2005) have identified a relationship between dividend payments and institutional investments. The study conducted by Parrino examined the “correlation between institutional investments and management performance”. Empirical evidence demonstrating the active involvement of institutional investors in overseeing CEO compensation practices are available in research studies. Their findings indicate a strong correlation between compensation levels and the performance of the organisation. Chung et al. (2002) argue that institutional investors have a significant role in influencing corporations to adopt enhanced accounting policies and practises. There are arguments that the stock market serves as a highly dependable monitoring mechanism due to its ability to incorporate a wide range of information, including projections of a company's future performance.

On the other hand, a distinct cohort of scholars has documented that institutional investors demonstrate a tendency towards passivity and a lack of emphasis on monitoring endeavours. The “pressure-sensitive institutions, such as banks, insurance firms, and non-bank trusts”, refrain from taking action against managers in order to maintain their business ties with the respective enterprises. According to Pound's (1988) findings, institutional shareholders demonstrate empathy towards established management and tend to align their voting decisions with them. According to Pozen (1994), the presence of legal and regulatory restraints imposes limitations on institutions, preventing them from amassing substantial ownership stakes and subsequently exerting control over corporate managers. Dugggal and Miller (1999) did a study to investigate the participation of “institutional investors in the context of a takeover market”. Their findings indicated that the influence of “institutional investors” was not observed to be statistically significant.

<u>“The composition of corporate boards and its relationship with institutional investors”:</u>

The activism of institutional investors exerts a substantial influence on the composition, dimensions, and roles of corporate boards. Based on Hirschman's (1971) conceptual framework, organisations that express dissatisfaction with the board's performance have three possible courses of action: exit, characterised by the sale of their shares; voice, involving the expression of discontent while maintaining their investment; and remaining loyal, which entails retaining their shares and refraining from taking any action. Whidbee (1997) discovered a "favourable association between institutional ownership and the level of independence within corporate boards"". The study conducted by Parrino et al. (2003) reveals that the activities of institutional investors exert a substantial influence on the decision-making procedures of board of directors, which may ultimately result in alterations in CEO turnover. Hence, the portfolio changes made by institutional ownership are a matter of concern for boards.

A study that showcased the effectiveness of governance requirements related to board composition and operation in attracting institutional investors.

"Institutional Investments in India":

The extent of empirical study undertaken within the Indian environment is limited. According to Khanna and Palepu (2000) and Verma (1997), the preliminary research findings indicate that institutional investors played a passive role in the monitoring of managers and exerting impact on the "corporate governance and performance of Indian firms". The findings of a survey performed by the World Bank in 2005 indicate that domestic mutual funds tend to use a passive strategy when it comes to monitoring the actions of management in the companies included in their portfolios. The poll involved the participation of institutional investors, companies, and market participants. The research additionally revealed that Foreign Institutional Investors (FIIs) exhibit increased activity and use their ownership rights as a means of expressing their contentment or discontentment. The study done by Chakrabarti and Sarkar (2010) employed an event analysis methodology to examine corporate governance controversies. The findings of the study revealed that institutional holding exerts a positive influence.

The development finance institutions (DFIs) in India have demonstrated a passive level of engagement within the corporate governance structure. Kumar (2004) and Mohanty (2002) have presented contrasting viewpoints. Kumar proposed that the presence of institutional investors, specifically Development Financial Institutions (DFIs), “exerts a positive influence on the performance of firms”. On the contrary, Mohanty said that Development Finance Institutions (DFIs) actively practice corporate governance by selecting "nominee directors" to their Board and actively participating in crucial decision-making processes.

Deb and Chakrapani (2004) conducted a cross-sectional study with a sample of 443 enterprises, and their findings revealed a significant “positive relationship between institutional holding and firm value”. Based on the study conducted by Mukherjee and Ghosh (2004), it was found that institutional investors, particularly foreign institutional investors (FIIs), demonstrate a greater level of consistency in their stock selection strategies in comparison to domestic financial institutions (DFIs), which tend to exhibit sporadic and volatile behaviour. Sehgal and Mulraj (2008) have noted that institutional investors possess a considerable stake in numerous companies, although their investing strategy tends to be passive in nature. Dissenting viewpoints are infrequently spoken during board meetings or annual general meetings.

The examination of corporate governance systems in India has been undertaken by expert committees, which have emphasised the substantial impact that institutional investors can have in this context. The study, which was released by the Confederation of Indian Industry (CII), was the first edition of its sort. Following that, the “Kumar Mangalam Birla committee and the Narayana Murthy committee” were created. The aforementioned publications have examined the significance of “institutional shareholders and their involvement in the corporate governance of a firm”. They have emphasised the importance of institutional investors effectively utilising their voting power to improve governance. In the context of the Satyam case, Srinivas (2011) espoused the need of institutional investors adopting a proactive approach. It is advisable for individuals to actively pursue knowledge on significant resolutions undertaken by corporations and to exercise discernment in dismissing any decisions that may result in a decrease in value.

2.3 SEBI's Stewardship Code in 2019

The need for an overarching express stewardship policy to include the "institutional investors" in promoting "corporate governance" was first recorded in the recommendations of the "Kotak Committee Report on Corporate Governance" in 2017[90]. The said committee viewed a stable stewardship policy as an essential to ensuring corporate governance and accountability to policyholders. SEBI's Stewardship Code was a result of such recommendations.

SEBI'S Stewardship Code became effective from July 1, 2020. "It has six Principles, each of which comes with some guidance.. SEBI's cover letter to institutional investors states that it applies only to listed equities. Therefore, it does not apply to investments by institutional investors in listed debt/private companies/public unlisted companies."

As explained above, the SEBI Stewardship Code is applicable only on: (i) MFs, which came under the SEBI's control in 1996, under the SEBI (Mutual Funds) Regulations, 1996; and (ii) AIFs. SEBI introduced the Alternative Investment Fund (AIF) Regulation, 2012, under which, AIFs are classified into three categories. They are[91]: (a) Category I: Venture Capital, Small and Medium Enterprises, Infrastructure, Social Ventures, Angel funds, etc; (b) Category II: Private equity; (c) Category III: Hedge funds.

All of these together form 'institutional investors' owing to the fact that they are pooled and

[90] Report of the Kotak Committee on Corporate Governance, Chapter 8, Rec.3., 2017

[91] SEBI (Alternative Investment Funds) Regulation, 2012, LAD-NRO/GN/2012-13/04/11262, Reg. 3, 9-10

managed by an institution of investors as explained above.

The ‘comply or explain’ model is a new, recently introduced model to the Indian corporate governance environment. India and the USA use primarily the ‘comply or else’ model, where regulations are laid out using a statute, which need to be complied with by companies[92]. Non-compliance will lead to punishment. The popularity of this model in India is due to India’s peculiar corporate structure, incidents of corporate frauds and a resulting lack of voluntary compliance[93]. On the contrary, economies like UK and other OECD countries use the comply or explain model, which is a tailor-made model to suit individual companies. They are based out of individual codes governing that particular investment fund. This model was applied in SEBI’s Stewardship Code and is a hallmark as the principles of the code give effect to this model.

Have further discussed these principles in detail below.

The Stewardship Code, as indicated in “SEBI's accompanying letter to Institutional Investors, pertains exclusively to listed equities. As a result, this does not pertain to the investments made by institutional investors in publicly traded debt instruments.”

<u>Principles</u>

“The Stewardship Code comprises six fundamental principles, each of which encompasses specific guidance”. The ensuing statements represent the fundamental concepts or guidelines.

The first principle is hereby presented.

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[92] Umakanth Varottil. (2017). *Corporate Governance in India: The Transition from Code to Statute*. https://doi.org/10.1007/978-3-319-51868-8_5

[93] *Supra Note 74*

It is recommended that institutional investors establish a comprehensive protocol to effectively manage their stewardship responsibilities, disclose it to the public, and regularly assess and enhance its efficacy.

The responsibilities of stewardship encompass various aspects such as monitoring the performance of investee companies in terms of their operational and financial aspects, evaluating their strategies, assessing their corporate governance practises including board structure and compensation, identifying significant environmental, social, and governance opportunities or risks, analysing their capital structure, and addressing other pertinent issues. Participation in this context may manifest as extensive deliberations with management, attendance at investee company board meetings, exercising voting rights at shareholder or board meetings, among other forms. It is imperative for institutional investors to formulate a comprehensive strategy outlining the execution of their stewardship obligations and disclose the plan to the public. In the event that any of the operations are delegated to external entities, it is imperative that the policy includes a mechanism to ensure that the responsibilities of stewardship are fulfilled with efficiency and diligence under such circumstances.

It is recommended that the policy be subject to periodic review and modification, and that the current version be made publicly accessible on the organization's website. Incorporating a training policy for staff members who are responsible for implementing the principles is imperative and can be integrated into the overall policy.

The second principle is hereby presented.

It is recommended that institutional investors establish a clear and transparent policy delineating their approach towards managing conflicts of interest while performing their stewardship responsibilities.

In order to ensure comprehensive policy implementation, institutional investors ought to establish a comprehensive policy that includes a meticulous framework for identifying and managing conflicts of interest. The objective of the policy is to ensure that the interests of the client or beneficiary are prioritised over those of the corporation. Furthermore, it is imperative that the policy clearly outlines the course of action to be taken in the event of a conflict of interest between clients or beneficiaries.

The conflict-of-interest policy should encompass the following aspects, among others:

Identifying potential scenarios in which conflicts of interest may arise. As an illustration, in the event that the companies in which the entity invests are considered its associates.

The entity has established procedures to address potential conflict of interest situations. These procedures may include implementing blanket prohibitions on investments in specific circumstances.

Establishing a committee dedicated to addressing conflicts of interest, which can be consulted in instances where such issues arise.

It is recommended to establish a distinct demarcation between the responsibilities of voting and customer service/sales.

The implementation of a policy mandating the recusal of individuals with actual or potential conflicts of interest from participating in the decision-making process.
The implementation of a policy mandating individuals with actual or potential conflicts of interest in a given transaction to recuse themselves from participating in the decision-making process.

The practice of documenting the decisions taken to address conflicts is referred to as maintaining minutes.

It is imperative to conduct a prompt assessment and modification of the policy and disclosures to ensure transparency and accountability to the public.

The third principle.

It is imperative for institutional investors to engage in monitoring activities pertaining to the companies in which they have invested.

Institutional investors are required to maintain a constant vigilance over the companies in which they have invested. This entails monitoring a range of factors, such as the company's operational performance, financial performance, business strategy, corporate governance, etc. In order to effectively manage their investments, Institutional Investors ought to apply appropriate levels of oversight to diverse investee companies, with the extent and nature of such monitoring being contingent upon the specific characteristics of each Investee Company. In contrast to enterprises that allocate a negligible amount of funds relative to the assets under management of institutional investors, companies with larger investments may necessitate heightened levels of oversight.

As per the Stewardship Code, investors have the provision to delineate situations wherein they do not intend to engage in active participation with the investee companies, particularly in instances of marginal investments. The determination of what constitutes a small investment has been delegated to the discretion of institutional investors.

Institutional investors ought to bear in mind insider trading laws when soliciting information from investee companies for monitoring purposes. In order to effectively oversee their investee companies, institutional investors are required to establish a comprehensive monitoring strategy. This policy should delineate the specific regions that necessitate scrutiny, explain the prescribed methods to be adhered to, and encompass other pertinent information. It is imperative that the monitoring policy clearly outlines the specific circumstances that may result in the divulgence of insider information, as well as the measures implemented to ensure compliance with insider trading regulations in such scenarios.

The fourth principle.

“Institutional investors need to be very explicit about when they will intervene in the companies they invest in.”

In order to safeguard the welfare of ultimate investors, it is imperative that institutional investors establish a policy that is transparent with regard to their collaboration with other institutional investors, as and when required. It is recommended that this policy be disclosed to the public.

Institutional investors' policies ought to distinctly establish the terms for active engagement in investee companies and the approach to such intervention. It is recommended that the policy incorporate a systematic assessment of the outcomes of said measure on a routine basis. In circumstances that warrant it, intervention ought to be considered despite the implementation of a passive investment strategy or a low level of investment. Instances where aid may be required include but are not limited to inadequate fiscal results of the organisation, corporate governance-related methodologies, compensation, tactics, environmental, social, and governance apprehensions, leadership predicaments, and legal disputes.

Potential strategies for intervention could include engaging in meetings or talks with management in order to seek a mutually agreeable resolution to the issue at hand. In the case that the situation escalates, it may be necessary to convene meetings with the boards involved. Additionally, collaborating with other investors and expressing objections to certain actions could also be viable approaches to address the matter..

Various levels of intervention and circumstances that necessitate escalation can be identified and revealed. Engaging with corporations via institutional investor associations could potentially be included in this approach. In certain circumstances, a committee may be formed to determine the appropriate methodology to employ, as well as the appropriate course of action to take.

Principle 5 is the fifth guiding rule or fundamental concept that underlies a particular system or theory.

“Institutional investors ought to have a transparent voting and disclosure policy.”

It is imperative for institutional investors to exercise independent voting decisions in investee companies following comprehensive analysis, rather than merely endorsing management decisions. This approach is essential to safeguard and augment the wealth of clients/beneficiaries, as well as to enhance the governance of investee companies. This necessitates that institutional investors formulate a comprehensive voting protocol that encompasses details pertaining to voting, procedures for casting votes in favour of, against, or abstaining from a vote, disclosure of voting activities, and other relevant factors. It is imperative that the process of voting, the determinants of voting (inclusive of the underlying rationale), as well as the utilisation of proxy voting and voting advisory services, among other related aspects, are disclosed to the public.

Voting policy shall include:

The voting policy should encompass various methods for casting votes, such as electronic voting, in-person attendance at meetings, and voting by proxy. It is imperative to establish guidelines for the evaluation of proposals, decision-making processes, and voting procedures.

The establishment of an oversight committee as a means of escalation in certain circumstances.

The utilisation of proxy advisors' policies for addressing conflicts of interest in the context of voting.

The disclosure of voting entails the frequency of disclosure, specific details regarding the voting process for each proposed resolution in investee companies, the rationale behind the voting decisions, and the mode of disclosure, such as through the annual report to investors or on a quarterly basis on the company's website. When utilising proxy voting or other voting advisory services, it is necessary to provide disclosures regarding the scope of services, service provider details, and the degree to which investors rely on such services.

Principle 6.

“Institutional investors should report their stewardship activities periodically.”

In accordance with their policy, institutional investors are obligated to furnish their clients and beneficiaries with periodic, easily comprehensible reports detailing their fulfilment of their stewardship responsibilities. It is important to acknowledge that compliance with the aforementioned standards does not impose a duty on an institutional investor to oversee a firm's activities or restrict them from divesting a position if it is deemed advantageous for their clients or beneficiaries.

In accordance with regulatory requirements, institutional investors are obligated to periodically disclose comprehensive information regarding their stewardship initiatives on their official website. Different principles can be identified across different time periods. The report may also be presented as an annual communication to its recipients.

2.4 Stewardship in the U.K and India: Inconsistencies

India has expeditiously embraced the Stewardship Code, mirroring the United Kingdom's approach, without adequately considering the variances in company structures and the factors that promote effective governance practises. In the Indian context, it is observed that a concentrated shareholding structure is prevalent, wherein the bulk of shares are held by the promoters and their respective families. In contrast, the United Kingdom possesses a dispersed shareholding structure that facilitates the ownership of substantial shares in a company by institutional investors, hence allowing their active involvement in corporate governance processes. The opinions of institutional investors in India are seldom recognised due to their restricted ownership.

There are notable differences in the stewardship aims between India and the United Kingdom. According to the legal framework in the United Kingdom, the primary aim of performing stewardship responsibilities is to protect the interests of institutional investors' ultimate beneficiaries, ensuring their future success and welfare. The principle referred to in this context is commonly recognised as the Enhancing Shareholder Value (ESV) Principle. The corporate structure in India is characterised by pluralism, which places importance on the interests of all stakeholders rather than exclusively focusing on the beneficiaries of institutional investors. As a result, the stewardship model from the UK is deemed unsuitable for adoption in India. The fiduciary duties of directors in India are outlined in Section 166 of the Companies Act, 2013, which serves as a reflection of the regulatory and legislative rules in the country. This provision aims to facilitate the development of a broader and more inclusive business ecosystem. The provision stipulates that individuals should engage in actions with sincerity and honesty, with the intention of advancing the objectives of the firm for the collective benefit of its members. Furthermore, these actions should be undertaken in the best interests of the company, its employees, shareholders, the community, and with the aim of safeguarding the environment.

Moreover, the inclusion of Corporate Social Responsibility ("CSR") rules in the Companies Act of 2013 reflects a clear inclination towards adopting an inclusive stakeholder approach that aims to generate societal benefits beyond the mere financial gains for institutional investors.

The SEBI Stewardship Code has faced criticism due to its prioritisation of the benefits associated with institutional investors adopting the UK Stewardship framework, while neglecting to address the potential incongruities that may arise within the Indian corporate governance landscape.

The anticipated introduction of an Indian Stewardship Code is projected to bolster corporate governance and foster accountable shareholder engagement, thereby bolstering the attractiveness of India's capital markets for both domestic and global investors. The Securities and Exchange Board of India (SEBI) aims to establish a comprehensive stewardship policy for institutional investors through the implementation of this code. This code encompasses various aspects such as conflict management policies, staff training to ensure effective implementation of the principles outlined in the stewardship code, monitoring of investee companies, intervention in investee companies when necessary, collaboration with other institutional investors, and exercising voting rights. Nevertheless, it is crucial to critically analyse the Indian Stewardship Code in terms of its efficacy as a means to attain a certain aim, rather than viewing it as the ultimate end. In light of the aforementioned circumstances, it is essential for businesses and investors to consider the requisite actions to facilitate and encourage responsible shareholder involvement, thereby guaranteeing reciprocal benefits for all stakeholders.

CHAPTER 3

“ROLE OF INSTITUTIONAL INVESTORS IN THE CORPORATE GOVERNANCE”

3.1 Introduction

Role of Institutional Investors in Corporate Governance

The objective of this chapter is to facilitate comprehension of the involvement of “institutional investors” in the realm of corporate governance. The chapter commences with providing an overview of the different categories of institutional investors, followed by an examination of the methodologies employed by “institutional investors” to engage with the companies in which they have invested.

<u>Institutional Investors’ Engagement Tools</u>

The global expansion of “institutional investment practices” has afforded investors a comparative edge by enabling them: “the opportunity to act as good monitors of their investee firms”. Institutional investors are subject to persistent demands to enhance their governance practises. these demands originate from various entities, including: “government agencies, stock markets and the investors’ ultimate beneficiaries”. Institutional investors possess two potential courses of action in the event that they become unsatisfied with the governance practices of the enterprises in which they have invested. Individuals have the option to utilize their voting rights as a means to facilitate change, or alternatively, they may opt to divest their ownership in the company by selling their shares. This concept is commonly referred to as the “Vote or Exit Concept”. Due to the potential high costs associated with the selling option, many institutional investors choose to actively engage with their investee enterprises in order to modify any negative governance structures. “In order to facilitate a dialogue with their investee firms”, “institutional investors” have the option to utilise many techniques. These tools include one-to-one meetings, voting, shareholder proposals and resolutions, focus lists, and corporate governance rating systems. The significance of behind-the-scenes interaction is also acknowledged in academic literature, since it is observed that private negotiation is a preferred strategy among numerous institutional investors. The next section provides a comprehensive discussion of all the tools mentioned.

One-to-One Meetings

According to Mallin (2016), the meetings between institutional investors and their investee firms is widely recognized as a crucial form of communication. The Cadbury Report placed significant emphasis on the importance of institutional investors engaging in “regular one-to-one meetings with the corporate boards” of the companies in which they have invested. As stated in the “Cadbury Report”, it is recommended that institutional investors should facilitate frequent and organized communication with senior executives in order to ease exchange of perspectives and information about strategy, performance, board composition, and managerial competence. The aforementioned form of meeting is perceived as advantageous for institutional investors in comparison to other types of investors. This is because corporations typically allocate these meetings exclusively to institutional investors that possess higher ownership interests in the company. In the “United Kingdom”, it is customary for companies to schedule individual meetings with significant institutional investors throughout the year. “These meetings frequently involve key members of the corporate board. During these meetings, the intended recipients of information are institutional investors, specifically those who hold significant shares, brokers analysts, and any other significant investors who are interested in either underwriting or selling their shares”. In addition, investee firms commonly initiate contact with institutional investors who have not been engaged for a duration exceeding one year. Moreover, any “institutional investors” who participate in these meetings are afterwards contacted to ascertain that all concerns have been thoroughly addressed.

A comparative analysis of investor relations meetings hosted by the leading 500 corporations in the United Kingdom during the period spanning from 1991 to 2002. According to Marston (2008), the one-to-one meeting was identified as the primary communication mechanism between institutional investors and their investee firms, he also, observed that the frequency of such meetings had risen during the period of investigation, indicating an increased demand from institutional investors for this kind of communication. In addition, Marston observed a positive correlation between the frequency of meetings and the presence of institutional investors and analysts. Additionally, the findings of the study indicate that organizations maintain records of previous meetings as a means of enhancing their readiness for forthcoming meetings, thereby underscoring the significance attributed to these gatherings.

Moreover, corporations occasionally implement novel investor relations initiatives in which they may augment the frequency of engagements with investors with the aim of enticing institutional investments. According to a study conducted by Bushee and Miller (2012), a selection of small and mid-cap companies listed on the Nasdaq or operating over the counter (OTC) during the period of 1998 to 2004 demonstrated that the implementation of investor relations programmes, which incorporated in-person meetings with investors, resulted in increased institutional investments and a higher level of analyst following. This indicates that institutional investors place importance on corporations that proactively establish investor relations programmes and facilitate individual interactions. The implementation of such initiatives by a corporation was also discovered to attract media attention and enhance market valuation.

It is noteworthy to mention that “institutional investors” have the potential to interact with their “investee firms through private negotiations”, referred to as behind-the-scenes[s] engagement. This particular intervention is often regarded as an effective mechanism that can efficiently incentivize and facilitate prompt remedial measures within a firm in which an investment has been made. Carleton conducted a study to examine the degree to which the TIAA-CREF, using covert strategies, exerted influence on matters of governance within the 45 companies in which it had invested between the years 1992 and 1996.

In a recent study, McCahery performed research to investigate the degree to which “institutional investors” participate in covert forms of involvement. To achieve this objective, the researchers administered a survey to members of the International Corporate Governance Network (ICGN) over a period of two consecutive years, 2012 and 2013. The research conducted a poll among the 143 most prominent institutional investors globally.

According to McCahery et al. (2016), the duration of an “investor's horizon, (long-term versus short-term)”, was found to have a significant impact on the intervention. For example, long-term institutional investors exhibited a higher degree of intervention compared to their short-term counterparts, engaging in discussions pertaining to “corporate governance structure and firm strategy”, among other matters. The study highlighted that the institutional investors placed significant importance on the viability of the exit option as a strategic approach. “Specifically, 49% of the respondents indicated that they had opted for the exit option due to their unhappiness with performance. Another 39% of participants indicated that their exit was attributed to dissatisfaction with the existing governance framework”. “The investors emphasized that the exit option should be viewed as a complement to, rather than a replacement for, the voice. This is because institutional investors often engage with the firms they invest in before considering the possibility of an exit”.

McCahery et al. (2016), further stated that institutional investors encounter various challenges, with the primary one being the issue of free riding. Furthermore, the study revealed that a significant proportion of the respondents, specifically 63%, used proxy advisers as part of their decision-making process. Additionally, approximately half of these individuals sought the guidance of multiple proxy advisors, indicating a reliance on the services provided by these entities. Furthermore, it has been observed that institutional investors who use proxy advisors tend to actively engage with the companies they invest in, rather than relying solely on proxy advice. This suggests that the involvement of proxy advisors does not automatically imply a passive approach to governance on the part of institutional investors.

The ”institutional investors” who possess a greater proportion of liquid stocks tend to exhibit higher levels of involvement with the companies in which they invest. This may be attributed to the fact that these investors perceive the option of exiting their investments as more feasible in firms with greater liquidity. This observation aligns with the argument made by Edmans et al. (2013) that the level of stock liquidity plays a crucial role in influencing the decision of institutional investors to either voice their concerns or depart the investment. In a study conducted by Edmans et al. (2013), an analysis was conducted on activist hedge funds that participated in block acquisitions during the period from 1995 to 2010. The findings of the study indicated that hedge funds were drawn to acquiring blocks primarily due to the presence of liquidity, particularly in companies with significant managerial incentives. Upon the establishment of a block, individuals holding the block had a greater inclination towards selecting the exit option as opposed to the voice option. This inclination was evidenced by a reduced tendency to engage in active investment, as indicated by a lower frequency of filing Schedule 13D, in comparison to passive investment, as indicated by a higher frequency of filing Schedule 13G. The submission of a 13D filing is linked to favorable announcement returns and enhancements in operational performance, particularly in corporations with high liquidity.

<u>Voting</u>

The right to vote is widely recognized as a significant mechanism employed by institutional investors to express their opinions on various matters deliberated upon during the annual general meeting. The “Cadbury Report (1992)” advocated for the promotion of activism among institutional investors, urging them to effectively exercise their voting rights in a constructive manner. Moreover, some international bodies have issued explicit declarations concerning the voting rights and the obligations of shareholders. As an illustration, the “Organisation for Economic Co-operation and Development (OECD)” has allocated one of its six principles specifically to address the rights of shareholders and essential ownership functions. According to the OECD (2004), this concept asserts that shareholders should have the opportunity to vote either in person or through absentee means, and that votes cast in either manner should carry equal weight. Moreover, the "International Corporate Governance Network (ICGN)" revised its "global corporate governance principles in 2009", wherein it emphasized the importance of shareholders actively participating in "annual and extraordinary general meetings" and casting their votes in a thoughtful manner.

In the realm of "institutional investor voting" in the United Kingdom, it was formerly customary for "institutional investors" to express their voting preferences using the portal services. However, in contemporary times, the option to submit votes electronically has emerged as a viable alternative, provided that the necessary infrastructure is in place (Mallin, 2016). In the realm of institutional investing, it is customary for investors to engage in a process of reconciling divergent perspectives before a scheduled voting event. This often involves engaging in private conversations with the company's management, with the aim of reaching a mutually agreeable resolution. In the event that these private negotiations prove unsuccessful, institutional investors possess the option to abstain from or cast their vote in opposition to a certain resolution (Mallin, 2016).

The corporate board acknowledges and considers the discontent expressed by shareholders when undertaking initiatives to modify the governance framework of a company. It is imperative to acknowledge that, in order for the electoral process to yield desired outcomes, it is crucial for the regulations and laws of the nation to facilitate the exercise of substantive voting rights. A study conducted; Iliev et al. (2015) explored the activism of institutional investors from the United States by analyzing their voting behaviour in 43 countries other than the US during the period from 2003 to 2009. The researchers discovered that the legal frameworks and regulations pertaining to shareholder voting in these non-US nations facilitated the casting of votes that held significance. Furthermore, the analysis unveiled a higher frequency of reported voter dissent in cases when institutional investors harbored concerns regarding expropriations. Moreover, there was a positive correlation observed between heightened voter discontent and elevated rates of director turnover and intensified levels of mergers and acquisitions.

The study conducted by was to assess the impact of a 'just vote no' campaign on the “decision-making process” of corporate boards regarding the enhancement of corporate governance structures. In order to achieve this objective, the researchers analyzed a sample of 112 businesses listed in the United States that were active during the period from 1999 to 2003. According to Del Guercio et al. (2008), it was observed that “activist institutional investors” frequently influenced their fellow investors to abstain from voting during the director election process at general meetings. This practice often resulted in the corporate board experiencing embarrassment. As a consequence of these efforts, notable enhancements were observed in the realm of governance structure and the performance of investee enterprises.

In a more recent study, Aggarwal et al. (2015) conducted an examination of the US securities lending market with the aim of investigating the behaviors and attitudes of: “institutional investors towards shares that were on loan prior to the record date”. In the context of the “securities lending market”, it is important to note that shares that are on loan on the day of voting are ineligible to be subjected to voting rights. The present analysis highlights the limited availability of shares that can be lent out prior to the proxy record date, as institutional investors initiated the retrieval of their borrowed shares prior to the voting date. According to Aggarwal, the recall of shares was found to be significantly influenced by the corporate governance practices of investee organizations. Specifically, institutional investors tended to recall shares from firms with inadequate governance practices. The composition of proposals presented in the voting agenda played a crucial role in determining the shares that required recall.

“Shareholder Proposals/Resolutions”: Shareholder proposals, also known as shareholder resolutions, are more prevalent in the United States compared to the United Kingdom. The United States witnesses an annual introduction of approximately 800 to 900 shareholder proposals, with a predominant focus on matters pertaining to” the social environment and ethical concerns”. There lies and expectation that this figure will rise in the coming years due to a prevailing discontentment surrounding executive remuneration packages. In the United Kingdom, the comparatively limited occurrence of shareholder proposals put forth during the AGM can be attributed to a specific procedure. This procedure mandates that a resolution must be sought by either:

(i) members who possess a minimum of 5% of the voting share; or
(ii) a collective of hundred or more than hundred shareholders.

Due to the challenges associated with satisfying these two criteria, the quantity of shareholder proposals in the United Kingdom tends to be quite limited, typically not surpassing ten annually (Mallin, 2016). However, there was an increase in the number subsequent to the occurrence of the financial crisis.

In the context of the United States, it is noteworthy that private conversations occurring between institutional investors and the corporations in which they have invested might result in the withdrawal of numerous shareholder resolutions before the scheduled AGM. Bauer et al. (2015) conducted a study in which they analyzed the factors influencing the withdrawal of proposals. The findings indicate that shareholder resolutions frequently undergo withdrawal before the AGM due to institutional investors successfully negotiating agreements with their investee corporations through private talks. The instances of withdrawal were primarily instigated by significant institutional investors rather than private investors. In addition, it was found that there was a positive correlation between passive investment institutions and withdrawals of the proposals.

Focus Lists

"Several institutional investors have created focus lists to address the issue of underperforming companies". These indexes also serve the purpose of identifying corporations that exhibit non-responsiveness to inquiries from institutional investors. "The findings revealed that institutional investors exhibited a tendency to decrease their holdings in firms that were included on the focus list". This reduction in holdings was interpreted as a "signal for underperforming firms to enhance their overall performance". Nevertheless, the influence of a corporate board's composition on this association was observed. According to Ward et al. (2009), the presence of an independent board is identified as a crucial factor in influencing the decrease of institutional ownership in such firms. This suggests that institutional investors place significant emphasis on the makeup of corporate boards in these particular firms. The study also found that companies with greater levels of independence exhibit a greater degree of responsiveness to institutional issues compared to their counterparts. As a result, these companies employ a range of reactive strategies, including closely examining the incentives provided to their CEOs.

Corporate Governance Rating System

Corporate governance rating systems are tools used to assess and evaluate the quality and effectiveness of a company's governance practices. These systems provide a framework for analyzing many aspects of corporate governance, such as board composition, executive compensation

Governance quality at both the business and country levels has been evaluated and rated by numerous entities globally over an extended period of time. Mallin (2016) identifies Deminor, Standard and Poor's (S&P), and Governance Metrics International (GMI) as the prominent firms that have pioneered the establishment of corporate governance rating systems. Deminor primarily directs its attention on European nations, but S&P places its emphasis on a broader range of countries, encompassing Russia among others. The GMI ranking encompasses a diverse array of countries and areas, such as the United States, Europe, and other nations within the Asia-Pacific region (Mallin, 2016).

Different grading systems employ diverse approaches and methodologies in order to evaluate the extent and calibre of corporate governance. Nevertheless, the primary components encompassed in the majority of "corporate governance rating systems" are corporate board structures and processes.

"Corporate governance" rating systems provide significant advantages for both investors and the nation at large. For example, these systems facilitate the evaluation of the governance standards of the firms in which investors have invested or plan to invest in the future. Moreover, these systems enable governments to evaluate the quality of their governance in relation to other nations, thereby potentially improving the entire governance framework of their country to attract international investment (Mallin, 2016).

<u>Stewardship Codes and Guidelines.</u>

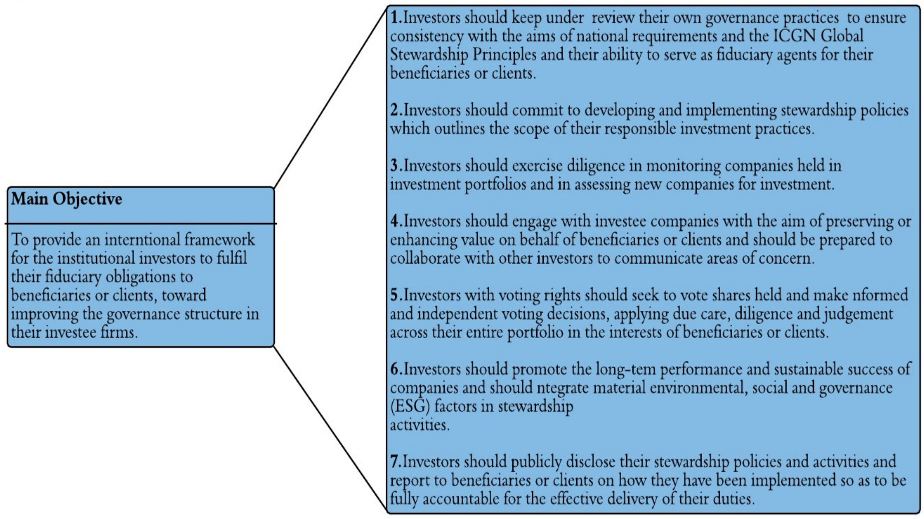
Various "stewardship rules and standards" have been published at both the international and national levels with the aim of enhancing the connection between "institutional investors" and their investee enterprises. This section provides an overview of the: "existing transnational and national stewardship codes and guidelines" that have been released thus far.

<u>"Transnational Stewardship Codes And Guidelines".</u>

Aside from the "stewardship codes" formulated at the national level, other international institutions dedicated to enhancing global corporate governance standards have issued their own "stewardship codes". "The International Corporate Governance Network (ICGN) released its inaugural Global Stewardship Code in 2016" with the objective of establishing a worldwide framework to promote effective practices in: "the stewardship of institutional investors". The code was bifurcated into two sections: the initial half provided a concise overview of the ideas, while the latter segment delved into the optimal strategies for implementing these principles in real-world scenarios. The Code encompassed a comprehensive set of seven principles that addressed a range of themes with the objective of fostering improved: “engagement between institutional investors and the firms in which they invest”.

(Refer to Figure 4.1 below). “These principles offer institutional investors guidance on various aspects, such as the adoption of robust stewardship practices”.

Figure 4.1 The Key Principles of the ICGN Global Stewardship Code.



Source: ICGN (2016).

3.2 Role of Institutional Investors in Corporate Governance

The central focus of the discussion around corporate governance and institutional investors revolves around the challenges associated with agency and professional managed organizations, which are widely acknowledged as problematic. The prevailing concern with the agency pertains to the fact that, in a significant number of instances, managers encounter a conflicting duty to both their individual interests and the interests of the firm, resulting in a tendency to prioritize their personal interests at the expense of the organization. It is crucial to recognize that managers, as an inherent component of their responsibilities, endeavor to optimize their financial gains. Therefore, it is crucial to take into account the necessity for balance between this purpose and alternative sources of authority.

Institutional investors, who possess a strong inclination towards promoting sustainable and long-lasting business practices, contribute to the emergence of these forces or counterbalance financial statements. In order to safeguard the long-term interests of both the organization and its shareholders, institutional investors play a crucial role by actively implementing corporate governance practises through the boards of these companies. This ensures that the priorities of the managers are aligned with the overall objectives of the company. The primary issue at hand is that institutional investors, due to their representation of several owners, have the capacity to successfully mitigate the management's tendency to prioritize their own interests. The second feature concerns the supervision of corporate well-being by individuals who simultaneously serve on the boards of specific firms, thereby holding the necessary competence and skills for efficient organizational governance.

Moreover, institutional investors have a higher level of efficiency when compared to minority owners. The presence of minor investors in the majority of annual general meetings gives rise to corporate governance difficulties, as is apparent. In specific situations, these concerns are appropriately addressed, whereas in the majority of cases, minority shareholders are denied owing to their lack of numerical representation while expressing disagreement. The presence of institutional investors can be attributed to their representation of a substantial part of shareholders and their ability to exert influence in facilitating transformative actions. In general, institutional investors tend to prioritize the maintenance of their organization's financial and operational efficiency, as well as the promotion of sound corporate governance, rather than pursuing significant adjustments.

In the context of the recent crisis in Coal India, it is plausible to assert that institutional investors have the potential to function as a stabilizing influence during this moment of turmoil. The engagement of institutional investors led to the rejection of the PSU's attempts to resolve various concerns voiced by stakeholders in the aforementioned situation. Furthermore, with respect to Vedanta, “institutional investors” played a crucial role in ensuring the company's adherence to its societal and political responsibilities, as well as compliance with social and environmental norms.

The theoretical framework of corporate management is based on the assertion made by Berle, where he argues the division between: “ownership and control” poses difficulties for the agency theory, therefore hindering managers of a firm from working in the optimal interest of their shareholders. Throughout the 20th century, a discernible transformation in ownership patterns occurred, characterized by a decline in individual ownership and a corresponding rise in institutional ownership. The heightened scrutiny of corporate governance by institutional investors might be attributed to the recognition that effective management necessitates enhanced openness and accountability. A multitude of research endeavors have been undertaken to examine the impact of institutional ownership on the realm of corporate governance. Scholars are engaged in a scholarly discourse concerning the correlation between substantial ownership in corporate governance and institutional investors. There are proponents who assert a notable correlation between the two phenomena, but others maintain that no such association can be shown.

There exits certain level of ambiguity surrounding whether institutional investors prioritize the acquisition of well-regulated firms or their respective assets in their investment activities. The depiction of the function of “institutional investors” is examined in the context of “corporate governance” and corporate efficiency, which can be analyzed through two main routes. This chapter focuses on conducting empirical research to explore the aforementioned issues. It especially investigates the connections between: “institutional holdings and corporate governance, institutional holdings and corporate performance, and corporate governance and corporate performance”. This analysis centers on the research undertaken within the geographical boundaries of India. The objective of this contribution is to assess the influence of institutional ownership on corporate governance and business performance. Corporate success can be attained by implementing a management score and employing several measures.

Diverse scholarly inquiries have been dedicated to examining various aspects and hierarchies and their impact on the performance of organizations. As a result, numerous rationales have been proposed both in support of and in opposition to the concept of the influence of ownership structure on corporate outcomes. While some scholars have challenged the notion of: "a direct link between ownership structure and corporate performance, others have argued that a clear relationship between the two does exist". Researchers hold differing viewpoints on the causal association between the two variables, with certain scholars suggesting a negative correlation while others propose a positive link. A study was undertaken to assess the relationship between: "several aspects of corporate governance and firm performance". The existing body of academic literature thoroughly examines the positive correlation between corporate management and corporate success, focusing on several specific factors that have been identified. Nevertheless, certain investigations have been unable to establish definitive evidence. This analysis examines the propositions presented by the researchers within this framework, as demonstrated in the preceding perspectives.

Coombes and Watson (2000) conducted a study including a sample of 200 institutional investors from various regions worldwide and found that governance exerts a substantial influence on the process of investment decision-making. A considerable percentage of investors, precisely 75%, contend that the significance of management practices is equivalent to or surpasses that of financial success. According to the poll findings, a substantial majority of investors, over 80%, express their willingness to pay a higher price for shares of a well-managed company when compared to a poorly managed company that demonstrates comparable financial success. Based on the findings of the survey, it is evident that institutional investors demonstrate a propensity to offer differing premiums in various nations. It is worth noting that premiums in Asia and Latin America, regions characterized by relatively less accurate financial reporting, exhibit greater levels in comparison to Europe and the United States.

Companies that conform to the accounting practices of the United States are in a state of compliance. The accounting rules that are widely recognized, acknowledge the increased levels of investment made by institutional investors within the United States. Furthermore, it has been determined that there is an escalation in compliance inside the United States. There exists a favorable association between the “Generally Accepted Accounting Principles (GAAP)” and future increases in institutional investment inside the “United States”. Nevertheless, it is important to acknowledge that increases in institutional ownership in the United States do not automatically lead to changes in accounting practices. The authors ascribed these links to the domestic setting rather than to improved transparency and corporate governance. There exists an “inverse relationship between the level of institutional investor ownership and the ease of earnings management in enterprises”. The rationale behind this phenomenon is in the fact that institutional investors possess the capacity to influence firms towards adopting more robust accounting practices. Additionally, they hold the capability to uncover any instances of earnings manipulation, thereby diminishing the potential advantages for managers. The research findings indicate that when institutional investors possess a substantial proportion of a company's outstanding shares, there is a reduced probability of managerial discretion, particularly in relation to the allocation of discretionary money.

Gompers et al. (2003) undertook a study to examine the variances in shareholder rights among different firms. In the 1990s, a metric known as the 'governance index' was devised and used by approximately 1500 prominent firms to assess and represent the extent of shareholder rights. Throughout the designated time frame, the implementation of an investing approach centered on acquiring stocks at the nadir of the index and divesting them at the zenith of the index yielded an atypical, annualized return of 8.5 percent. The study indicates that companies that have stronger shareholder rights demonstrate higher levels of market equity, income, and revenue growth. Additionally, these companies tend to have lower levels of capital expenditure and corporate acquisitions.

According to the findings of Claessens et al. (2002), there exists a positive correlation between the worth of a corporation and the level of cash flow ownership held by its largest shareholder, who is subject to regulatory oversight. This relationship is driven by the "incentive" outcomes. According to the research conducted by Claessens et al. (2002), instances where the controlling shareholder possesses control rights that surpass their cash flow rights as a result of pyramid structures, crossholdings, and dual-class stocks, lead to a decrease in the company's value. This finding aligns with previous studies on entrenchment. Based on the research conducted by Deutsche Bank AG in 2004 and 2004b, a relationship has been identified between corporate governance principles and the level of equity risk observed in portfolio management. This implies that the management of corporations has substantial implications for the management of investment portfolios. The results of their investigation have revealed that companies with strong corporate governance have demonstrated a competitive edge in terms of performance. Based on the research conducted by Fich and Shivdasani (2004) on a sample of Fortune 1000 businesses, it was shown that the implementation of stock option plans is associated with higher book market ratios and improved profitability, as seen by increased inventory return, sales return, and asset turnover.

Lipton and Lorsch (1992) conducted research that suggests the implementation of limitations on board size may result in a decline in organizational efficiency. This phenomenon can be attributed to the observation that whereas larger boards provide enhanced oversight, the capacity for coordination and policymaking within larger groupings is comparatively diminished, hence offsetting the advantages associated with having a larger board. In a comprehensive investigation carried out by Millstein and MacAvoy (1998), a total of 154 well-established firms operating in the United States were analyzed. The authors observed that in the 1990s, boards characterized by independence demonstrated higher performance in comparison to boards that lacked engagement and independence.

In their study, Eisenberg et al. (1998) identified a negative association between the size of the board and productivity among a cohort of small and medium-sized firms (SMEs). This suggests that while smaller enterprises may have a less pronounced distinction between ownership and control, the presence of larger boards does not inevitably result in higher productivity. Based on the findings of Vafeas' (1999) study, there was a positive correlation observed between an escalation in board meetings and enhanced firm performance following a decline in share prices. This implies that the frequency of meetings has a pivotal role in the success of a committee.

In their study, Bhattacharya and Graham (2007) undertook an examination of the relationship between corporate performance in Finland and different classifications of institutional investors, specifically those categorized as pressure-sensitive and stress-resistant investors. Previous studies have provided evidence indicating that institutional owners have stakes in multiple companies operating within the same industry. This situation may give rise to a reciprocal or endogenous problem about the relationship between corporate performance and ownership structure. Existing research has provided evidence indicating that institutional investors, who are likely to have investing and company links, are exerting a negative impact on corporate performance. Furthermore, the influence of these factors on institutional ownership is significantly greater when compared to the negative impact of corporate performance.

Wiwettanakantang (2001) conducted a study to examine the influence of controlling shareholders on corporate performance. The author analyzed various accounting indicators, such as asset returns and sales-asset ratio, to assess the extent of engagement of controlling shareholders in the company. The findings of this study suggest that the involvement of controlling shareholders in managerial activities has a negative impact on the overall performance of the organization, particularly when the controlling shareholder also holds a managerial position. The aforementioned phenomenon is particularly pronounced in cases when the dominant shareholder possesses a stake ranging from 25 to 50 percent in the organization. The analysis of empirical evidence has demonstrated that firms under family control demonstrate a higher level of performance compared to other types of ownership structures.

Companies that have multinational ownership or many managed shareholders generally demonstrate superior returns on assets as compared to companies that do not have regulated shareholders.

Abdul Wahab et al. (2007) conducted a study to examine the relationship between institutional ownership, organizational structures, and corporate performance. The study focused on a sample of 440 listed firms.

Qiet et al. (2000) established a favorable association between the government's ownership stake and the output of the company. Furthermore, the available empirical evidence is insufficient to establish a definitive positive association between business performance and the proportion of tradable shares held by either domestic or foreign investors. Based on the observations made by Wahal (1996), it has been noted that institutional investors, with a special focus on activist institutions, have undertaken efforts to exert influence over the management of certain companies. Nevertheless, these companies have not seen any improvements in their effectiveness.

Ashraf and Jayaman (2007) conducted a study that investigated the trading trends in mutual funds following the revelation of voting data. After analyzing the polling records, the study revealed that there was an increase in the holdings of funds that supported shareholder initiatives. The substantial duration of the shareholders' meeting voting record may potentially result in a lack of correlation between the trading activities of mutual funds and the votes that were cast during: “the meeting, following the disclosure of these voting records”.

Managers of overseas funds exhibited a lower level of familiarity with domestic companies in comparison to their counterparts. The findings of the study demonstrate a noteworthy association between the revenues and the ownership of international institutions. Based on the findings of Leuz, Lins, and Warnock's (2009) study, it can be observed that international institutional investors tend to display a bias for allocating their investments towards companies that exhibit exceptional management practices.

CHAPTER 4

"ANALYSIS OF PARTICIPATION OF INSTITUTIONAL INVESTORS IN CORPORATE GOVERNANCE"

In order to arrive at the answers to the following questions, the below mentioned data points and the doctrinal research have been considered:

1. Whether institutional investors play a role in corporate governance?

2. Whether institutional investors actively participate in good corporate governance in their respective Indian listed investee companies? In particular, whether the institutional investors:

   (a) cast their votes on resolutions placed in shareholders meetings of their listed investee companies?

   (b) actively participate in the: (i) appointment/reappointment and remunerations of directors and key managerial persons of their listed investee companies; (ii) appointment and remuneration of auditors; and (ii) issuance of dividends?

For the purpose of this study, the data of all the Sensex 15 companies (basis on market capitalization) have been analysed for the period 2018-2022. Data has been sourced from the official disclosures of the voting results by the companies:

Variable 1 | Number of Institutional Investors That Cast Their Votes- Approval of Annual Accounts (in %)

Sr. No	**Name of the Company**	**Number of Institutional Investors That Cast Their Votes- Approval of Annual Accounts** (in %)				
		2018	**2019**	**2020**	**2021**	**2022**
1.	ASIAN PAINTS	84.086	81.561	79.266	80.888	81.579

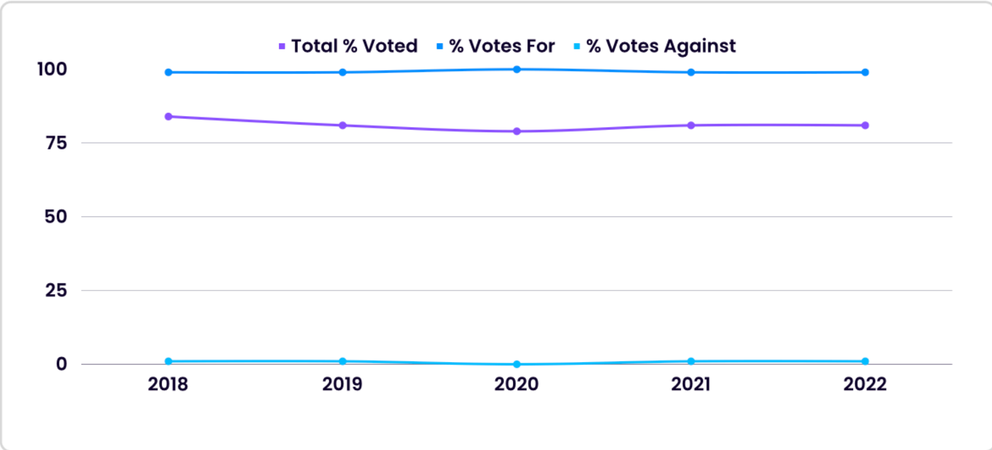
		(In Favour: 99.830) (Against: 0.170)	(In Favour: 99.888) (Against: 0.112)	(In Favour: 100) (Against: 0)	(In Favour: 99.921) (Against: 0.079)	(In Favour: 99.596) (Against: 0.404)
2.	AXIS BANK	82.917 (In Favour: 100) (Against: 0)	80.357 (In Favour: 100) (Against: 0)	81.128 (In Favour: 100) (Against: 0)	82.185 (In Favour: 99.869) (Against: 0.131)	88.415 (In Favour: 100) (Against: 0)
3.	BAJAJ FINANCE	74.58 (In Favour: 100) (Against: 0)	77.414 (In Favour: 100) (Against: 0)	76.834 (In Favour: 99.956) (Against: 0.044)	82.57 (In Favour: 99.734) (Against: 0.266)	83.735 (In Favour: 99.688) (Against: 0.312)
4.	BAJAJ FINSERV	74.878 (In Favour: 99.875) (Against: 0.125)	72.656 (In Favour: 99.994) (Against: 0.006)	60.672 (In Favour: 100) (Against: 0)	70.853 (In Favour: 99.656) (Against: 0.344)	81.706 (In Favour: 99.789) (Against: 0.211)
5.	BHARTI AIRTEL	74.47 (In Favour: 100) (Against: 0)	80.581 (In Favour: 100) (Against: 0)	79.893 (In Favour: 100) (Against: 0)	86.75 (In Favour: 99.856) (Against: 0.144)	91.414 (In Favour: 99.905) (Against: 0.095)
6.	HCL TECHNOLOGIES	75.839	74.49	75.243	84.171	86.419

		(In Favour: 99.965) (Against: 0.035)	(In Favour: 100) (Against: 0)	(In Favour: 100) (Against: 0)	(In Favour: 100) (Against: 0)	(In Favour: 100) (Against: 0)
7.	HDFC	84.261 (In Favour: 99.939) (Against: 0.061)	85.239 (In Favour: 99.957) (Against: 0.043)	86.928 (In Favour: 99.953) (Against: 0.047)	85.739 (In Favour: 98.725) (Against: 1.275)	89.711 (In Favour: 99.944) (Against: 0.056)
8.	HDFC BANK	87.998 (In Favour: 100) (Against: 0)	87.888 (In Favour: 100) (Against: 0)	86.379 (In Favour: 100) (Against: 0)	86.334 (In Favour: 99.976) (Against: 0.024)	92.338 (In Favour: 99.977) (Against: 0.023)
9.	HUL	72.683 (In Favour: 100) (Against: 0)	77.197 (In Favour: 99.978) (Against: 0.022)	81.208 (In Favour: 100) (Against: 0)	86.725 (In Favour: 99.951) (Against: 0.049)	83.844 (In Favour: 99.722) (Against: 0.278)
10	ICICI BANK	74.169 (In Favour: 100) (Against: 0)	74.629 (In Favour: 100) (Against: 0)	73.075 (In Favour: 100) (Against: 0)	89.898 (In Favour: 99.987) (Against: 0.013)	91.727 (In Favour: 99.884) (Against: 0.116)
11	INDUSIND BANK	69.134	67.309	53.427	62.208	76.691

		(In Favour: 100) (Against: 0)	(In Favour: 100) (Against: 0)	(In Favour: 99.984) (Against: 0.016)	(In Favour: 100) (Against: 0)	(In Favour: 100) (Against: 0)
12	INFOSYS	76.602 (In Favour: 100) (Against: 0)	80.751 (In Favour: 100) (Against: 0)	77.844 (In Favour: 100) (Against: 0)	86.449 (In Favour: 100) (Against: 0)	86.946 (In Favour: 100) (Against: 0)
13	ITC	89.906 (In Favour: 99.992) (Against: 0.008)	93.515 (In Favour: 99.988) (Against: 0.012)	89.426 (In Favour: 100) (Against: 0)	90.021 (In Favour: 99.905) (Against: 0.095)	64.378 (In Favour: 99.881) (Against: 0.119)
14	KOTAK MAHINDRA BANK	88.654 (In Favour: 100) (Against: 0)	91.848 (In Favour: 100) (Against: 0)	92.518 (In Favour: 100) (Against: 0)	94.98 (In Favour: 100) (Against: 0)	95.282 (In Favour: 100) (Against: 0)
15	L&T	84.2 (In Favour: 99.939) (Against: 0.061)	85.3 (In Favour: 99.957) (Against: 0.043)	86.9 (In Favour: 99.953) (Against: 0.047)	85.73 (In Favour: 98.725) (Against: 1.275)	89.7 (In Favour: 99.944) (Against: 0.056)

Analysis of Variable 1

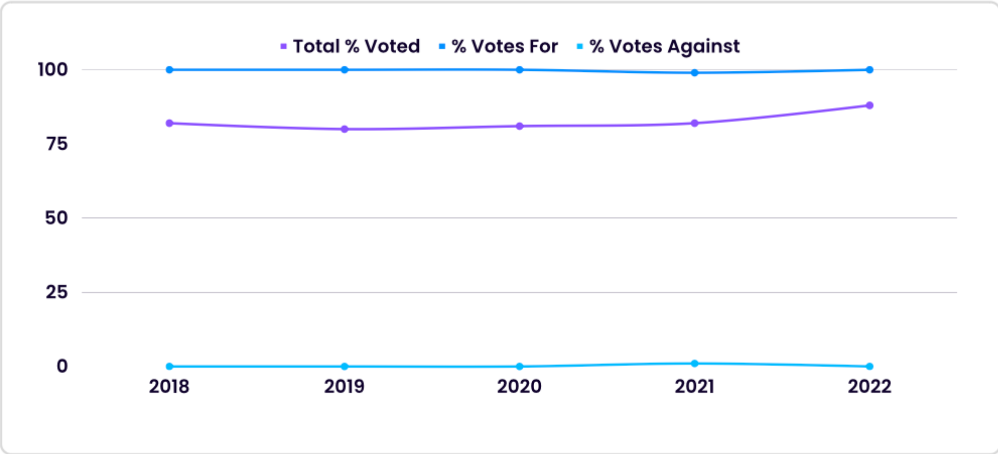
Asian Paints:



Based on the analysis of the above-mentioned data points for Asian Paints, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 80-85% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been great in the resolution approving process, but with negligible or no resistance.

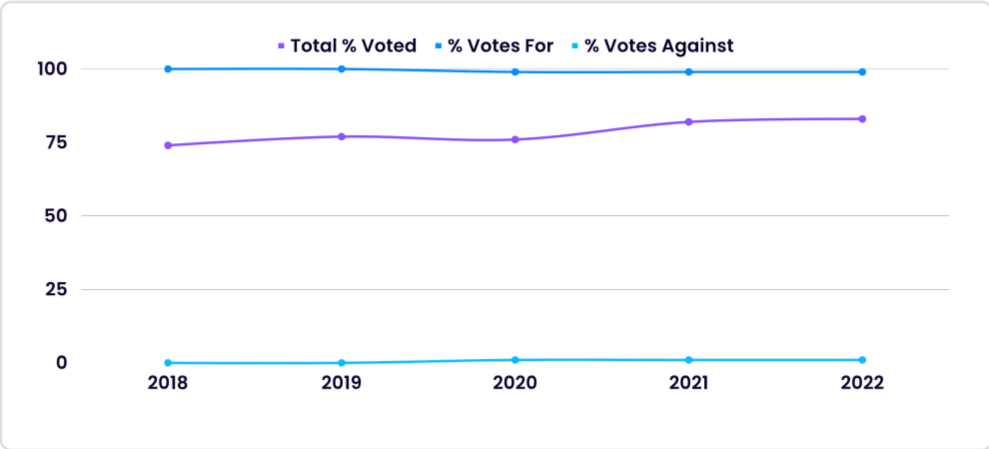
Axis Bank



Based on the analysis of the above-mentioned data points for Axis Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 80-88% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been great in the resolution approving process, but with negligible or no resistance.

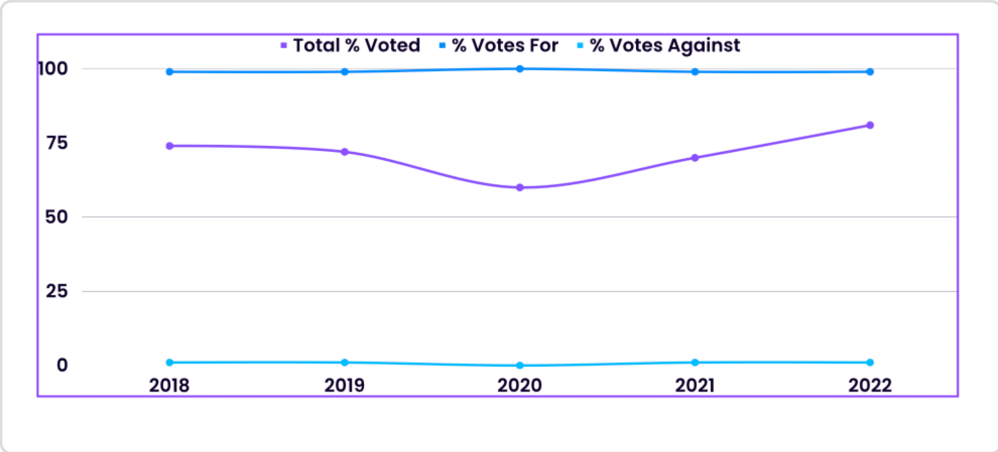
Bajaj Finance



Based on the analysis of the above-mentioned data points for Bajaj Finance, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 75-84% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been great in the resolution approving process, but with negligible or no resistance.

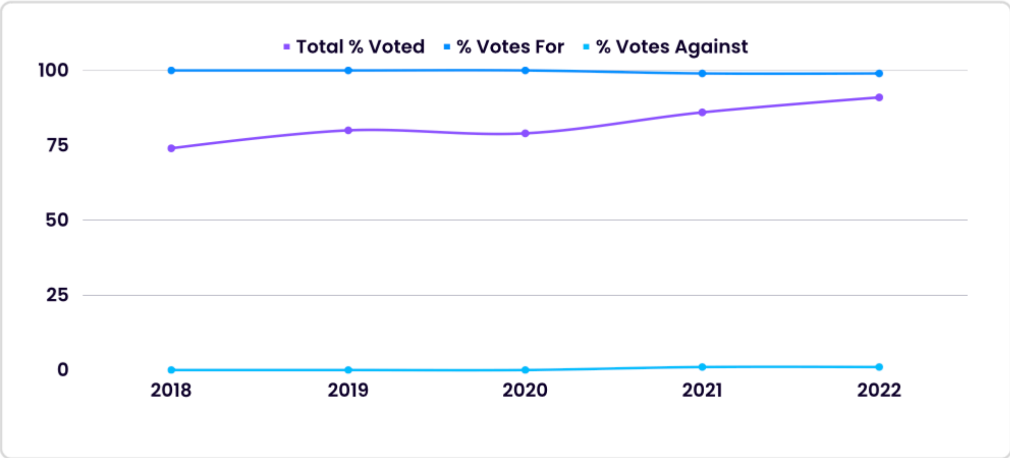
Bajaj Finserv



Based on the analysis of the above-mentioned data points for Bajaj Finserv, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been mostly in the super majority (except for the year 2020), ranging between 60-82% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been great barring the year 2020, in the resolution approving process, but with negligible or no resistance.

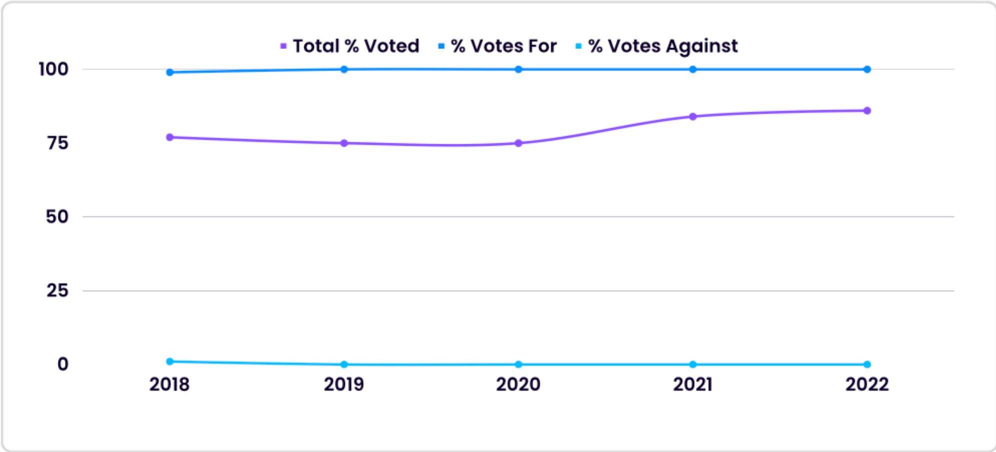
Bharti Airtel



Based on the analysis of the above-mentioned data points for Bharti Airtel, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 75-91% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been great in the resolution approving process, but with negligible or no resistance.

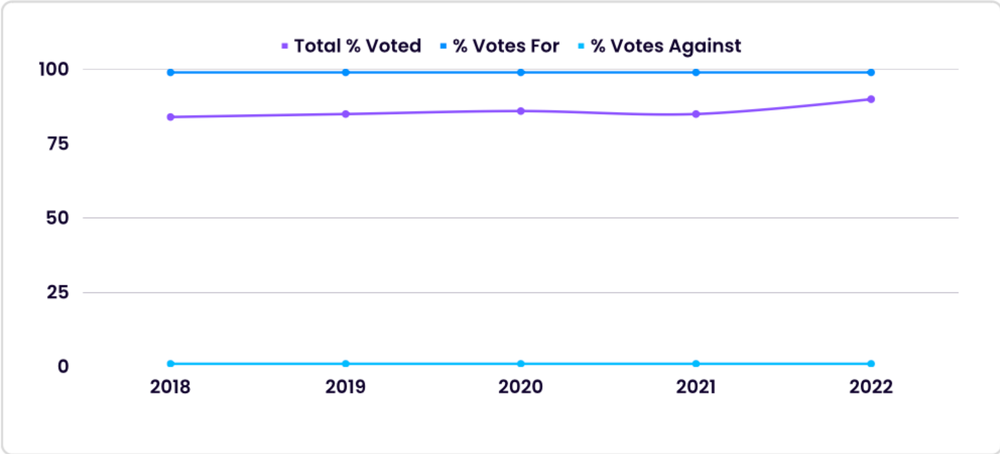
HCL Technologies



Based on the analysis of the above-mentioned data points for HCL Technologies, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 75-86% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been great in the resolution approving process, but with negligible or no resistance.

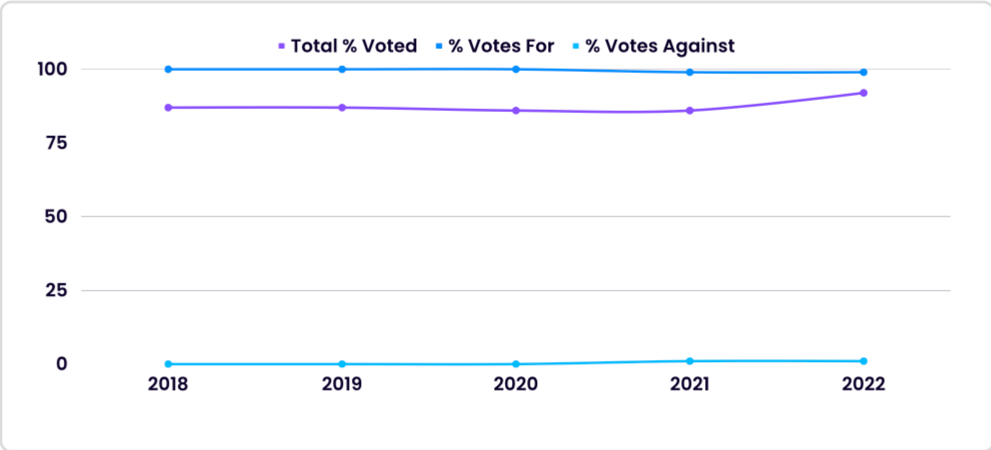
HDFC



Based on the analysis of the above-mentioned data points for HDFC, it can be deduced that during the period selected for research (i.e., during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 85-90% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional in the resolution approving process, but with negligible or no resistance.

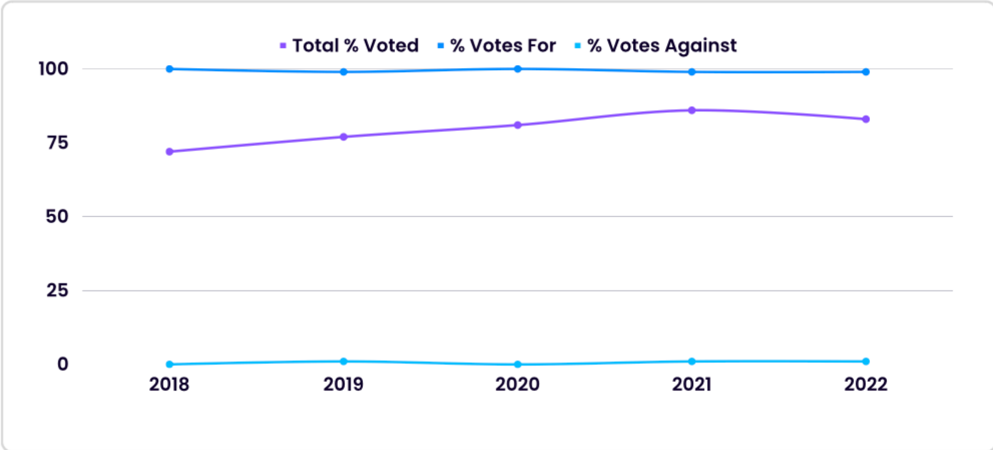
HDFC Bank



Based on the analysis of the above-mentioned data points for HDFC Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 87-92% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional in the resolution approving process, but with negligible or no resistance.

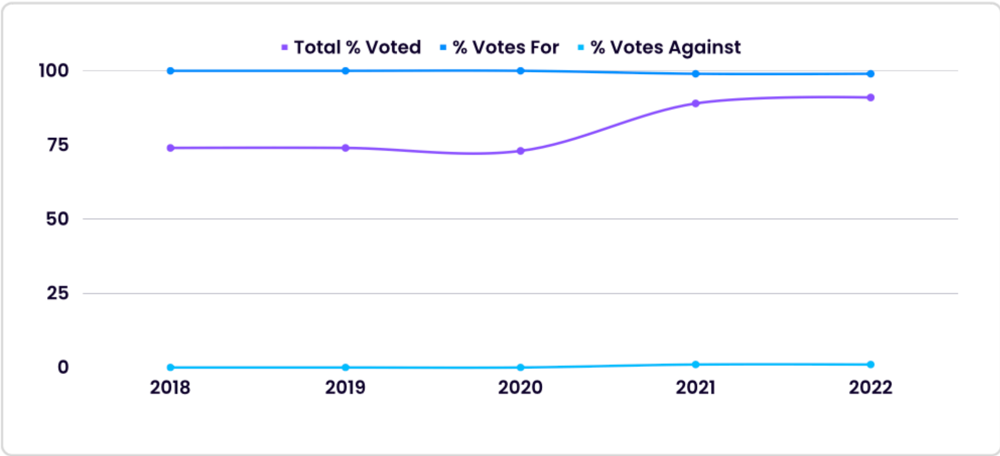
HUL



Based on the analysis of the above-mentioned data points for HUL, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority (except 2018, i.e. right after the release the SEBI Stewardship Code, where the participation percentage was just 72%, which is still a substantial number), ranging between 72-84% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been great in the resolution approving process, but with negligible or no resistance.

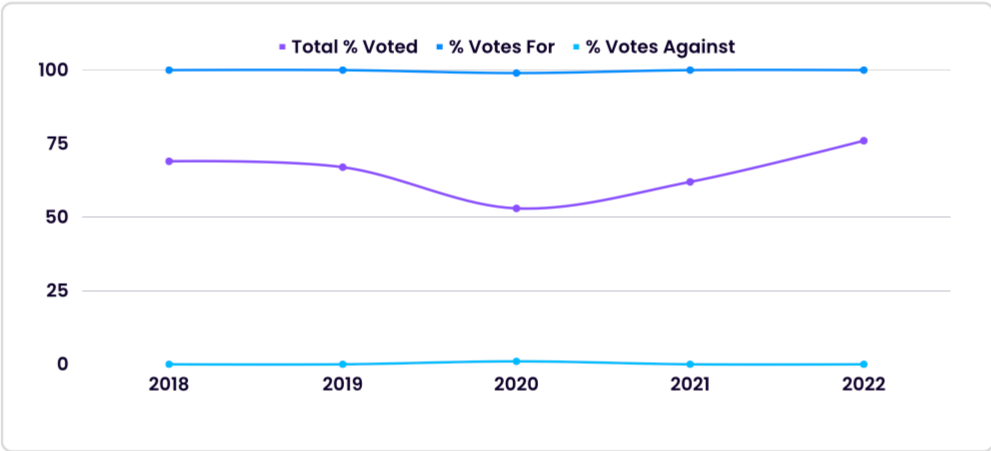
ICICI Bank



Based on the analysis of the above-mentioned data points for ICICI Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in mostly the super majority, ranging between 73-91% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been great in the resolution approving process, but with negligible or no resistance. Also, over the years, after the release of the code, the participation has been increasing year after year.

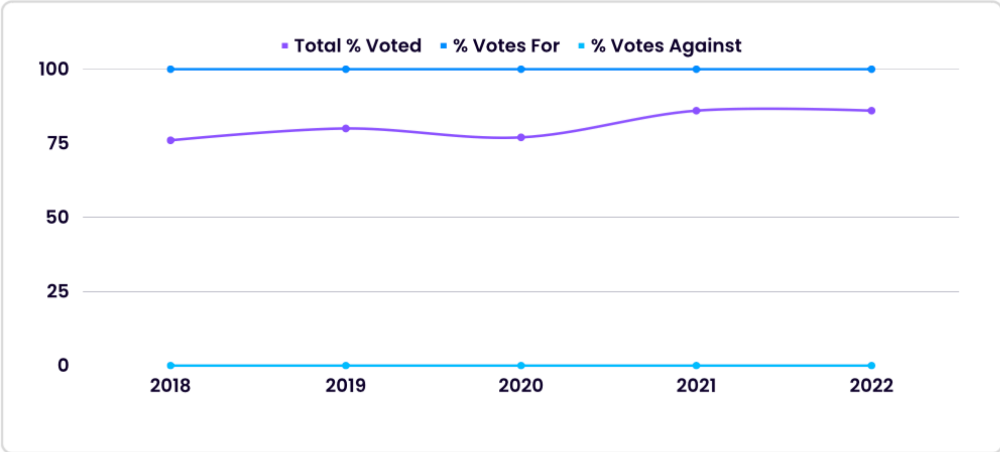
IndusInd Bank



Based on the analysis of the above-mentioned data points for IndusInd Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has not been that great but still substantial, ranging between 53-77% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been average in the resolution approving process, but with negligible or no resistance.

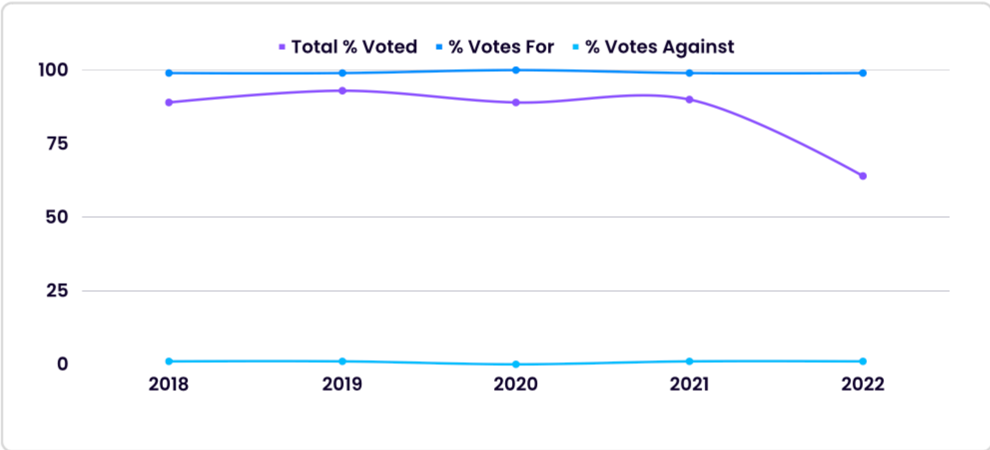
Infosys



Based on the analysis of the above-mentioned data points for Infosys, it can be deduced that during the period selected for research (i.e., during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 77-87% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been great in the resolution approving process, but with negligible or no resistance.

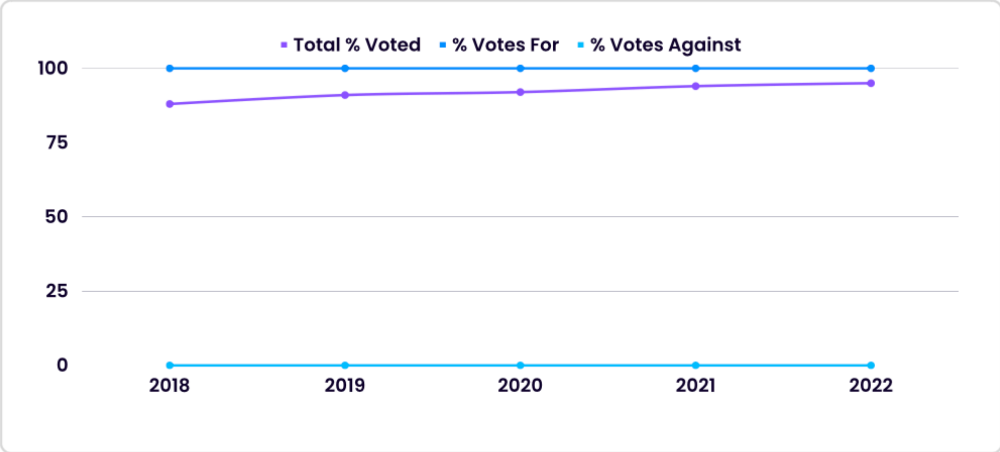
ITC



Based on the analysis of the above-mentioned data points for ITC, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has mostly been in the super majority (except last year, i.e. 2022, where it fell down to 64%), ranging between 64-94% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional (except for the year 2022) in the resolution approving process, but with negligible or no resistance.

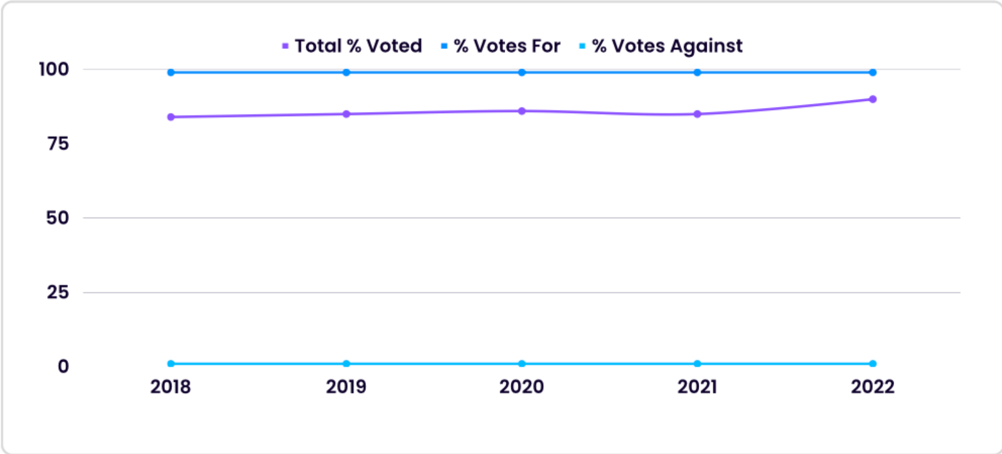
Kotak Mahindra Bank



Based on the analysis of the above-mentioned data points for Kotak Mahindra Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been always in the super majority, ranging between 89-95% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional in the resolution approving process, but with negligible or no resistance.

L&T



Based on the analysis of the above-mentioned data points for L&T, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 85-90% approximately; (ii) and negligible resistance/disapproval of the resolution placed for approving the accounts. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional in the resolution approving process, but with negligible or no resistance.

<u>Conclusion</u>

Overall, based on the analysis of the above-mentioned data points, a generalization can be done and a conclusion can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of almost all the Institutional Investors has been mostly in the super majority, i.e. above 75% (barring random one or two exceptional years); and (ii) there has been negligible resistance/disapproval of the resolution placed for approving the accounts in the annual general meetings. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been good in the resolution approving process, but with negligible or no resistance.

Variable 2 | Institutional Investors' Opposition in AGMs (Ordinary and Special Resolutions) to the Appointment/Reappointment and Remunerations of Directors and KMPs (% Range)

Sr. No	Name of the Company	Institutional Investors' Opposition in AGMs (Ordinary and Special Resolutions) to the Appointment/Reappointment and Remunerations of Directors and KMPs (% Range)				
		2018	**2019**	**2020**	**2021**	**2022**
1.	ASIAN PAINTS	85.02 (In Favour: 96.107) (Against: 3.893)	81.911 (In Favour: 98.655) (Against: 1.345)	79.188 (In Favour: 96.014) (Against: 3.986)	80.864 (In Favour: 71.395) (Against: 28.605)	81.772 (In Favour: 92.508) (Against: 7.492)
2.	AXIS BANK	82.17 (In Favour: 95.787) (Against: 4.213)	78.169 (In Favour: 99.246) (Against: 0.754)	81.273 (In Favour: 90.142) (Against: 9.858)	83.873 (In Favour: 99.713) (Against: 0.287)	85.055 (In Favour: 99.595) (Against: 0.405)
3.	BAJAJ FINANCE	74.777	77.118	77.008	80.367	84.144

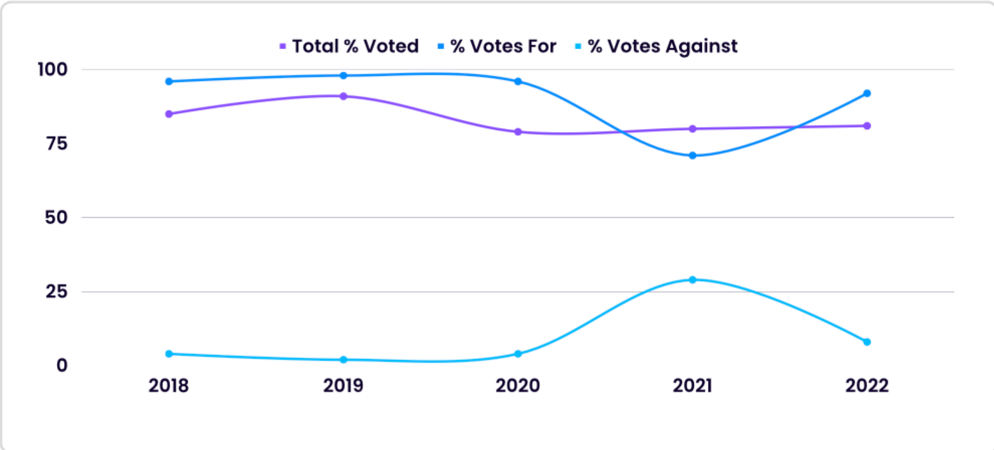
		(In Favour: 98.908) (Against: 1.092)	(In Favour: 99.837) (Against: 0.163)	(In Favour: 78.627) (Against: 21.373)	(In Favour: 76.643) (Against: 23.357)	(In Favour: 98.703) (Against: 1.297)
4.	BAJAJ FINSERV	75.114 (In Favour: 75.556) (Against: 24.444)	72.9 (In Favour: 96.545) (Against: 3.455)	60.906 (In Favour: 91.857) (Against: 8.143)	70.767 (In Favour: 80.134) (Against: 19.866)	81.767 (In Favour: 80.255) (Against: 19.745)
5.	BHARTI AIRTEL	80.109 (In Favour: 100) (Against: 0)	82.612 (In Favour: 58.075) (Against: 41.925)	84.269 (In Favour: 99.264) (Against: 0.736)	87.867 (In Favour: 71.96) (Against: 28.04)	93.998 (In Favour: 98.748) (Against: 1.252)
6.	HCL TECHNOLOGIES	79.562 (In Favour: 87.287) (Against: 12.713)	76.93 (In Favour: 81.219) (Against: 18.781)	76.214 (In Favour: 82.336) (Against: 17.664)	84.312 (In Favour: 54.508) (Against: 45.492)	87.815 (In Favour: 82.711) (Against: 17.289)
7.	HDFC	83.617 (In Favour: 75.144) (Against: 24.856)	84.488 (In Favour: 98.952) (Against: 1.048)	85.457 (In Favour: 98.206) (Against: 1.794)	85.919 (In Favour: 98.709) (Against: 1.291)	90.705 (In Favour: 97.203) (Against: 2.797)
8.	HDFC BANK	88.026	86.089	88.737	86.885	94.709

		(In Favour: 94.617) (Against: 5.383)	(In Favour: 99.671) (Against: 0.329)	(In Favour: 99.674) (Against: 0.326)	(In Favour: 99.466) (Against: 0.534)	(In Favour: 92.587) (Against: 7.413)
9.	HUL	74.286 (In Favour: 98.495) (Against: 1.505)	76.689 (In Favour: 100) (Against: 0)	82.98 (In Favour: 99.396) (Against: 0.604)	89.327 (In Favour: 99.909) (Against: 0.091)	84.022 (In Favour: 86.37) (Against: 13.63)
10	ICICI BANK	74.395 (In Favour: 98.885) (Against: 1.115)	72.926 (In Favour: 99.936) (Against: 0.064)	71.934 (In Favour: 99.686) (Against: 0.314)	88.261 (In Favour: 99.254) (Against: 0.746)	91.85 (In Favour: 98.195) (Against: 1.805)
11	INDUSIND BANK	67.701 (In Favour: 98.717) (Against: 1.283)	66.678 (In Favour: 100) (Against: 0)	56.819 (In Favour: 99.985) (Against: 0.015)	64.283 (In Favour: 99.74) (Against: 0.26)	80.031 (In Favour: 100) (Against: 0)
12	INFOSYS	80.63 (In Favour: 99.229) (Against: 0.771)	70.235 (In Favour: 69.608) (Against: 30.392)	81.977 (In Favour: 99.767) (Against: 0.233)	87.153 (In Favour: 95.586) (Against: 4.414)	88.975 (In Favour: 98.093) (Against: 1.907)
13	ITC	91.961	73.523	89.461	89.73	64.474

		(In Favour: 98.344) (Against: 1.656)	(In Favour: 99.997) (Against: 0.003)	(In Favour: 99.878) (Against: 0.122)	(In Favour: 92.474) (Against: 7.526)	(In Favour: 98.314) (Against: 1.686)
14	KOTAK MAHINDRA BANK	89.135 (In Favour: 100) (Against: 0)	91.696 (In Favour: 99.126) (Against: 0.874)	93.409 (In Favour: 99.963) (Against: 0.037)	94.18 (In Favour: 100) (Against: 0)	95.311 (In Favour: 97.505) (Against: 2.495)
15	L&T	83.1 (In Favour: 75.144) (Against: 24.856)	84.8 (In Favour: 98.952) (Against: 1.048)	85.5 (In Favour: 98.206) (Against: 1.794)	85.9 (In Favour: 98.709) (Against: 1.291)	90.0 (In Favour: 97.203) (Against: 2.797)

Analysis of Variable 2

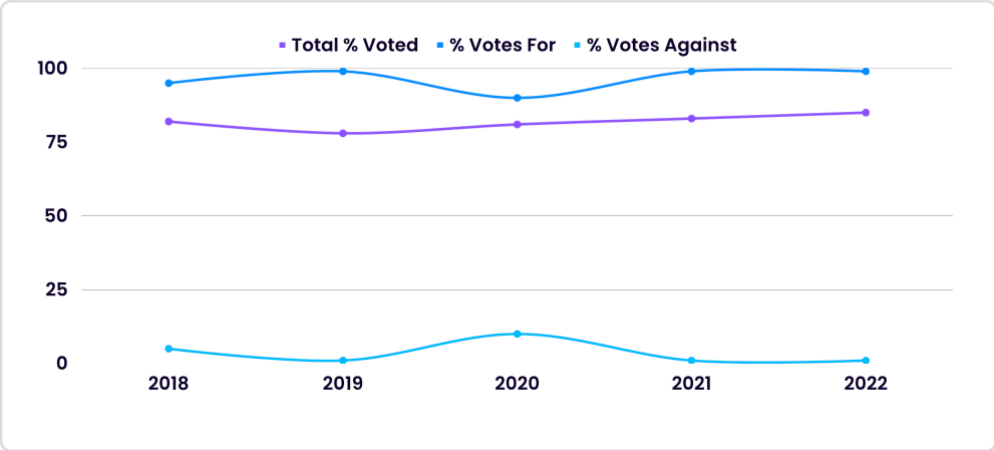
Asian Paints



Based on the analysis of the above-mentioned data points for Asian Paints, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 80-85% approximately; (ii) and some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution but some of them have been disapproving the same, and performing their role, being one of the important stakeholders in the company.

Participation has been exceptional in the resolution approving process, and with some meaningful resistance.

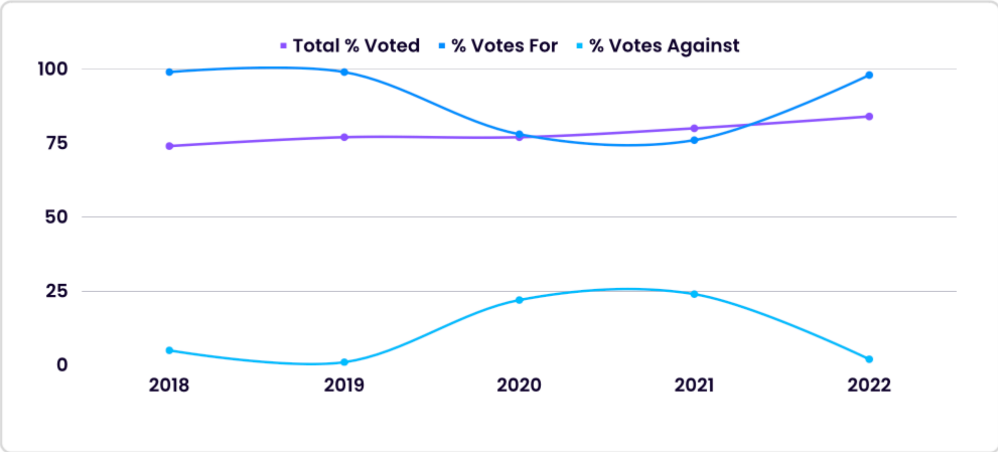
Axis Bank



Based on the analysis of the above-mentioned data points for Axis Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 79-86% approximately; (ii) and with negligible some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional in the resolution approving process, with negligible resistance.

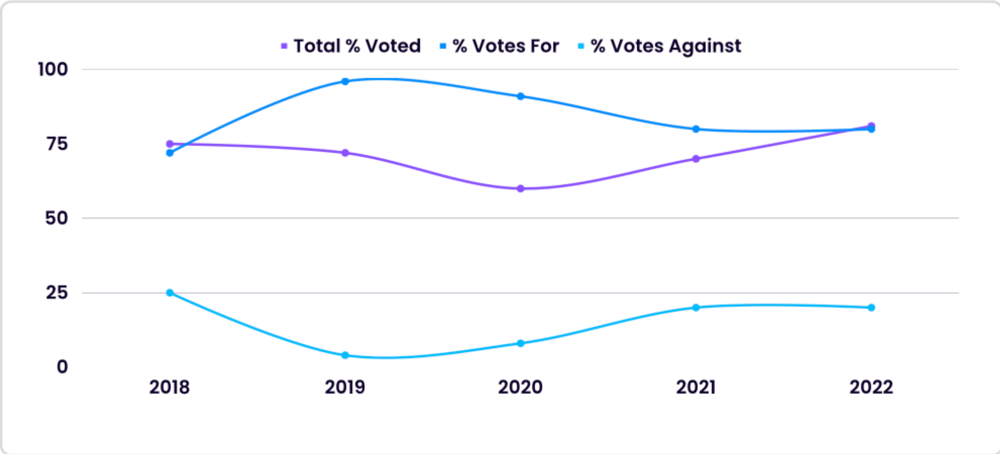
Bajaj Finance



Based on the analysis of the above-mentioned data points for Bajaj Finance, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 75-84% approximately; (ii) and some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution but some of them have been disapproving the same, and performing their role, being one of the important stakeholders in the company.

Participation has been exceptional in the resolution approving process, and with some meaningful resistance.

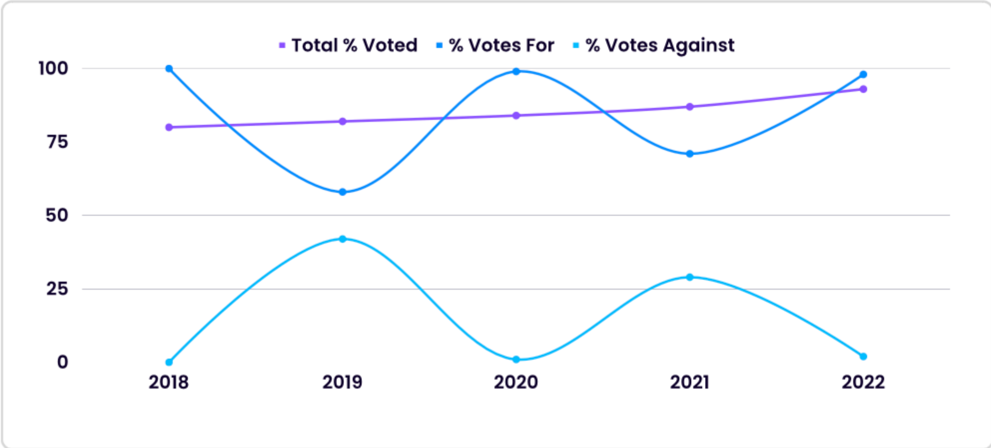
Bajaj Finserv



Based on the analysis of the above-mentioned data points for Bajaj Finserv, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has mostly been in the super majority (except the year 2020, where it fell to 61%), ranging between 61-82% approximately; (ii) and some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution but some of them have been disapproving the same, and performing their role, being one of the important stakeholders in the company.

Participation has been exceptional in the resolution approving process, and with some meaningful resistance.

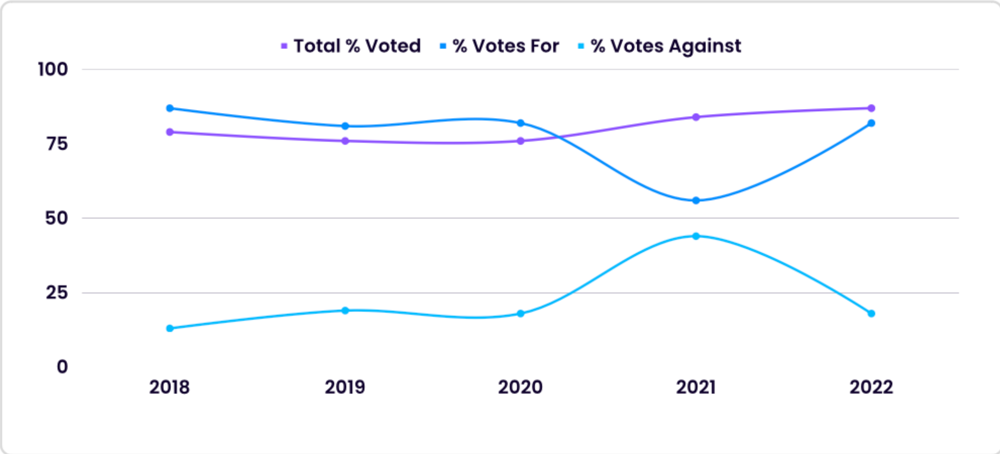
Bharti Airtel



Based on the analysis of the above-mentioned data points for Bharti Airtel, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority and exceptional, ranging between 80-94% approximately; (ii) and some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution but some of them have been disapproving the same, and performing their role, being one of the important stakeholders in the company.

Participation has been exceptional in the resolution approving process, and with some meaningful resistance.

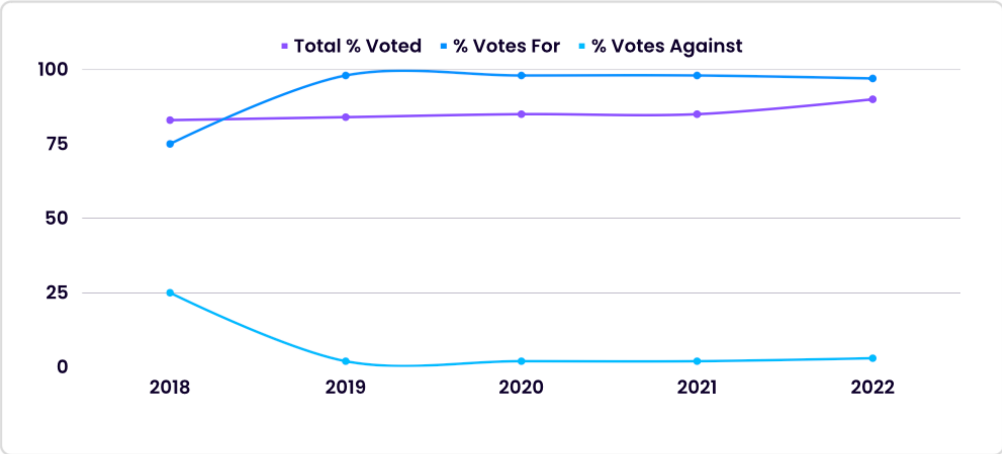
HCL Technologies



Based on the analysis of the above-mentioned data points for HCL Technologies, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 77-88% approximately; (ii) and some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution but some of them have been disapproving the same, and performing their role, being one of the important stakeholders in the company.

Participation has been exceptional in the resolution approving process, and with some meaningful resistance.

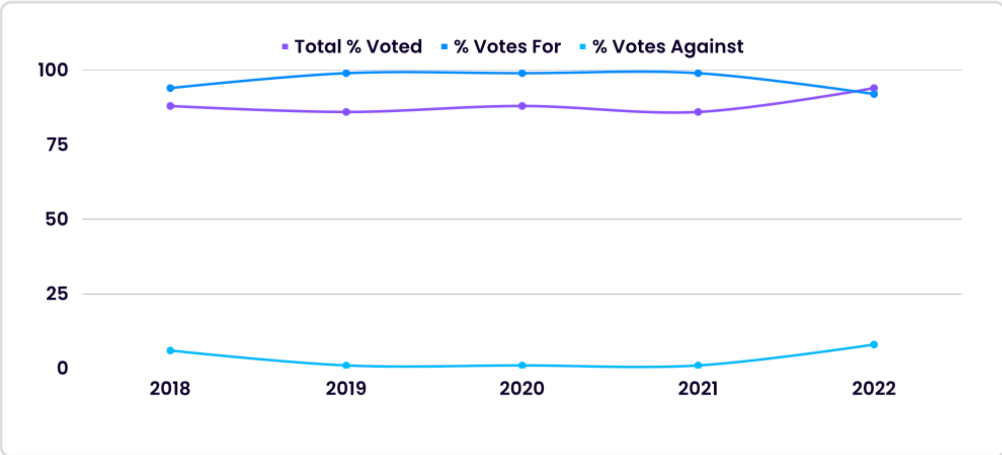
HDFC



Based on the analysis of the above-mentioned data points for HDFC, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 84-91% approximately; (ii) and with negligible some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional in the resolution approving process, with negligible resistance, except in the year 2018.

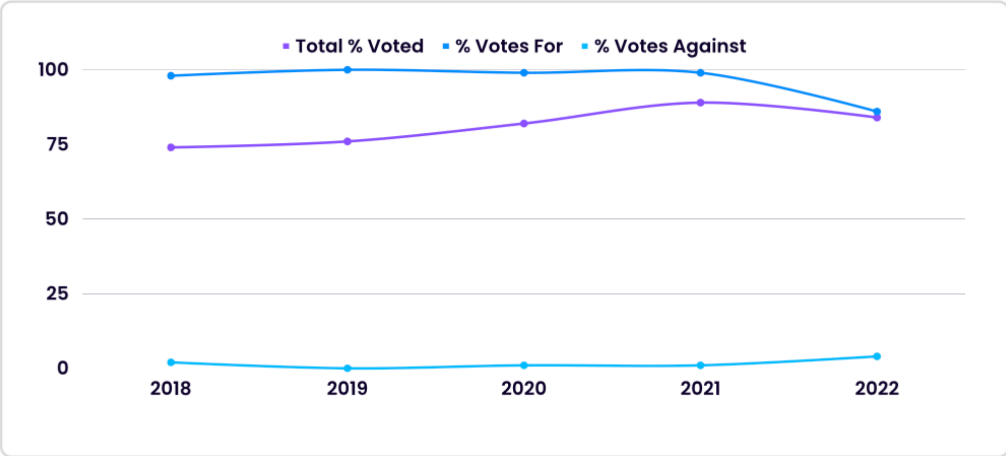
HDFC Bank



Based on the analysis of the above-mentioned data points for HDFC Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 87-95% approximately; (ii) and with negligible some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional in the resolution approving process, with negligible resistance, except in the year 2018.

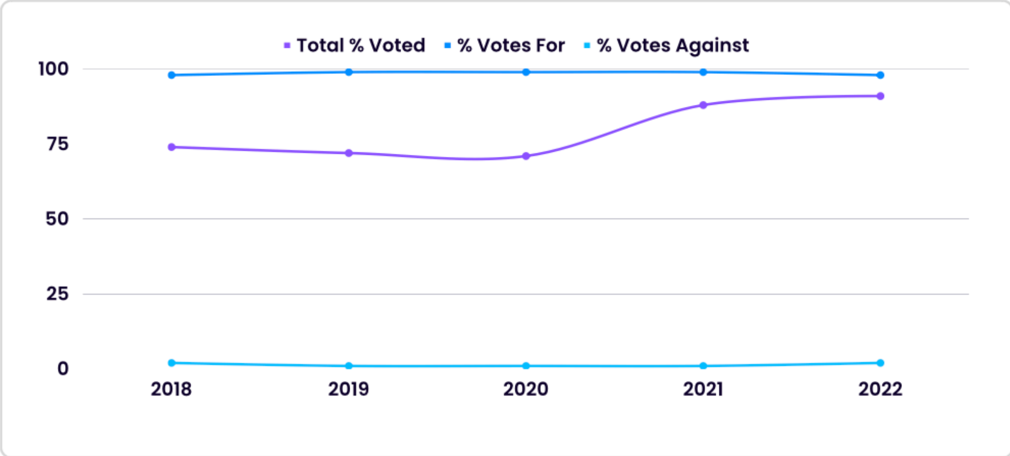
HUL



Based on the analysis of the above-mentioned data points for HUL, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 75-84% approximately; (ii) and with negligible some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional in the resolution approving process, with negligible resistance.

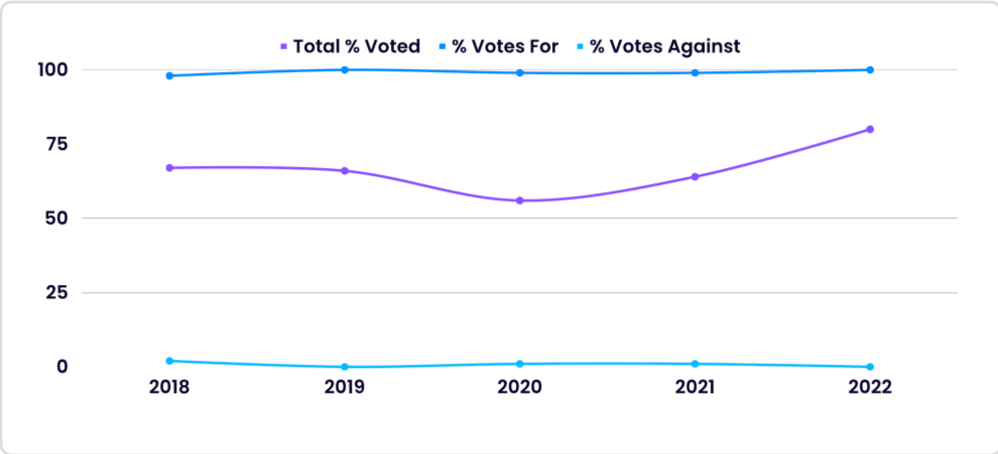
ICICI Bank



Based on the analysis of the above-mentioned data points for ICICI Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 72-92% approximately; (ii) and with negligible some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional in the resolution approving process, with negligible resistance.

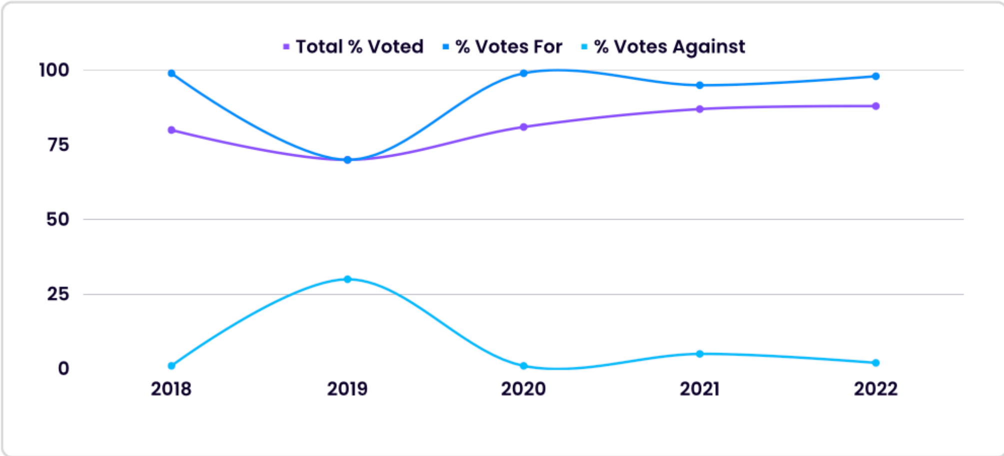
IndusInd bank



Based on the analysis of the above-mentioned data points for IndusInd Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been average, ranging between 57-80% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional in the resolution approving process, with negligible resistance.

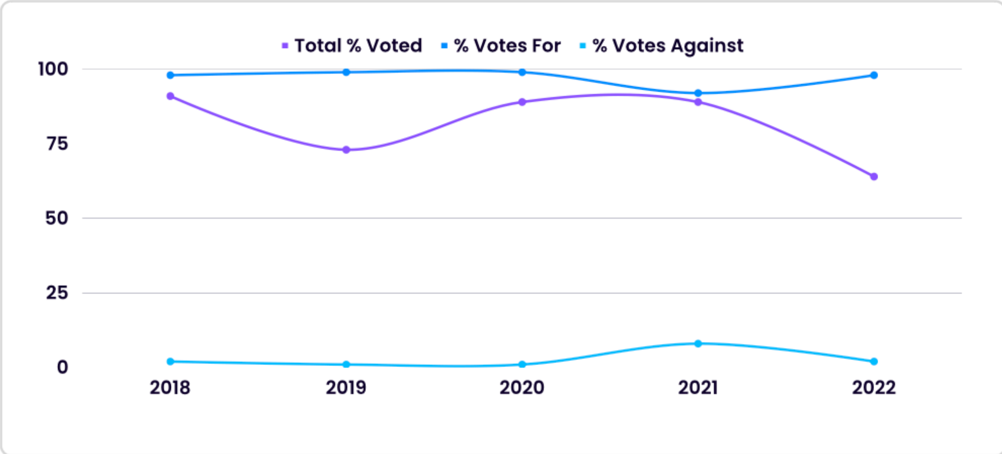
Infosys



Based on the analysis of the above-mentioned data points for Infosys, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority (except for the year 2021, where it fell to 70%, which is still meaningful and substantial), ranging between 70-89% approximately; (ii) and with some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional in the resolution approving process, with negligible resistance, except for the year 2019, where 30% voted against the resolution.

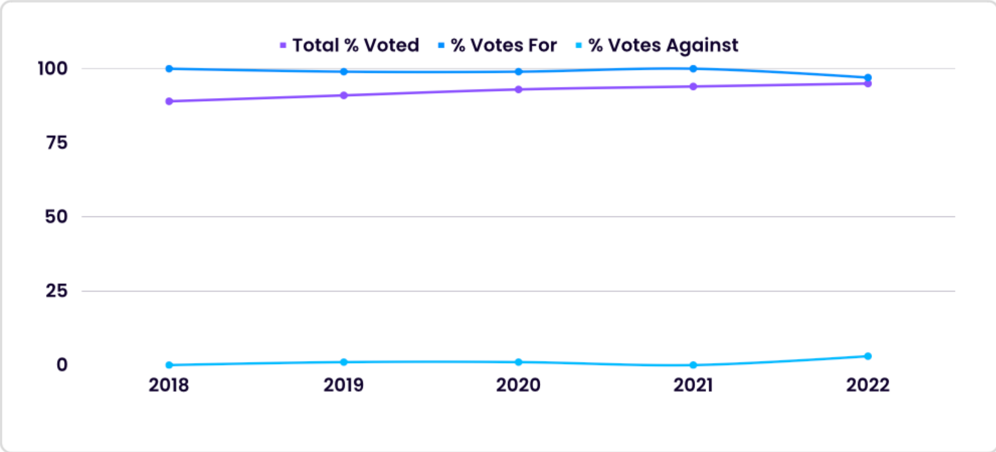
ITC



Based on the analysis of the above-mentioned data points for ITC, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority (except for the year 2022, where it fell to 65%), ranging between 65-92% approximately; (ii) and with negligible some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been good in the resolution approving process, but with negligible resistance.

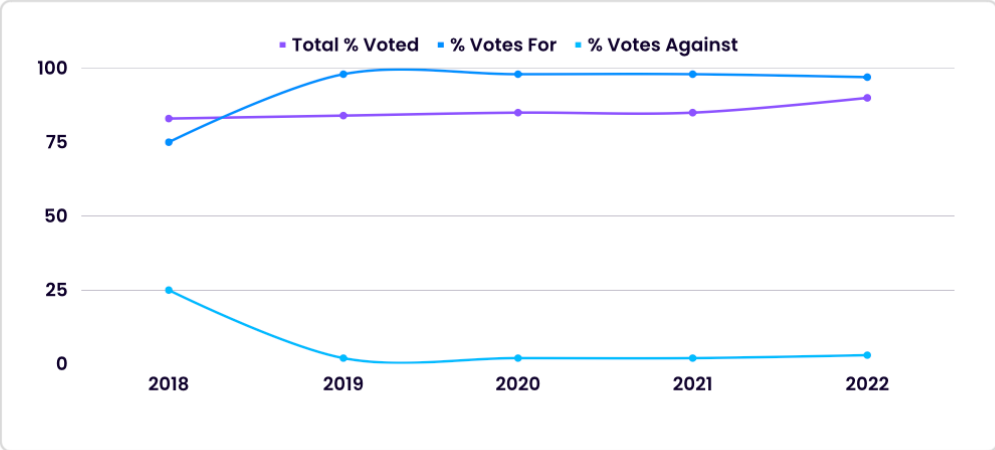
Kotak Mahindra Bank



Based on the analysis of the above-mentioned data points for Kotak Mahindra, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 83-90% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been good in the resolution approving process, but with negligible resistance.

L&T



Based on the analysis of the above-mentioned data points for L&T, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 84-91% approximately; (ii) and with negligible some resistance/disapproval of the resolution placed for approving the remuneration/appointment of KMPs. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been exceptional in the resolution approving process, with negligible resistance, except in the year 2018.

Conclusion

Overall, based on the analysis of the above-mentioned data points, a generalization can be done and a conclusion can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of almost all the Institutional Investors has been mostly in the super majority, i.e. above 75% (barring random one or two exceptional years);

and (ii) there has been some meaningful resistance/disapproval of the resolution placed for approving the remuneration and appointments of the KMPs and Directors.

Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution, generally but sometimes we have seen some meaningful resistance.

Variable 3 | Institutional Investors' Opposition in AGMs (Ordinary and Special Resolutions) to the Appointment and Remuneration of Auditors (% Range)

Sr. No	**Name of the Company**	**Institutional Investors' Opposition in AGMs (Ordinary and Special Resolutions) to the Appointment and Remuneration of Auditors** (% Range)				
		2018	**2019**	**2020**	**2021**	**2022**
1.	ASIAN PAINTS	85.367 (In Favour: 99.924) (Against: 0.076)	82.818 (In Favour: 100) (Against: 0)	79.834 (In Favour: 99.964) (Against: 0.036)	80.931 (In Favour: 94.455) (Against: 5.545)	81.862 (In Favour: 100) (Against: 0)
2.	AXIS BANK	83.247 (In Favour: 98.936) (Against: 1.064)	NA	NA	84.037 (In Favour: 99.096) (Against: 0.904)	NA
3.	BAJAJ FINANCE	74.777	NA	NA	NA	84.144

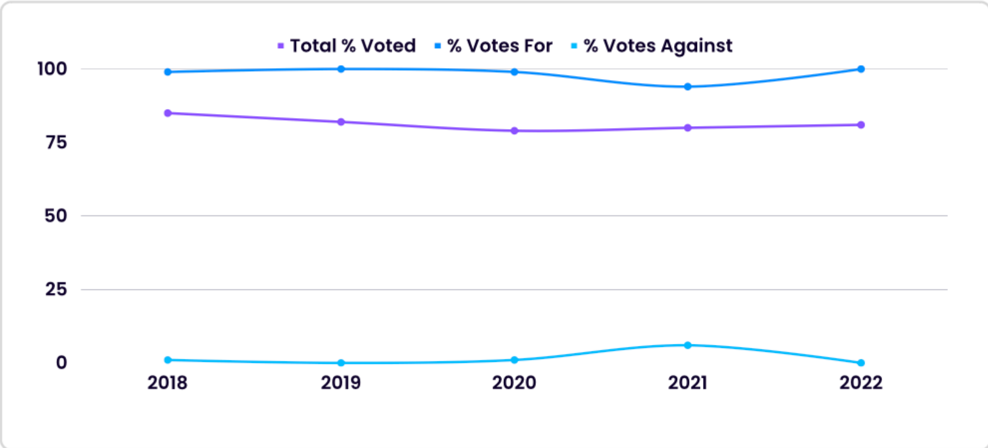
		(In Favour: 99.89) (Against: 0.11)				(In Favour: 99.966) (Against: 0.034)
4.	BAJAJ FINSERV	75.114 (In Favour: 98.363) (Against: 1.637)	NA	NA	NA	81.786 (In Favour: 93.274) (Against: 6.726)
5.	BHARTI AIRTEL	80.109 (In Favour: 97.498) (Against: 2.502)	82.871 (In Favour: 100) (Against: 0)	84.422 (In Favour: 100) (Against: 0)	89.765 (In Favour: 100) (Against: 0)	93.998 (In Favour: 99.987) (Against: 0.013)
6.	HCL TECHNOLOGIES	NA	77.231 (In Favour: 98.548) (Against: 1.452)	NA	NA	NA
7.	HDFC	NA	NA	NA	NA	90.949 (In Favour: 99.923) (Against: 0.077)
8.	HDFC BANK	88.026	87.971	88.789	88.252	94.709

		(In Favour: 99.607) (Against: 0.393)	(In Favour: 99.963) (Against: 0.037)	(In Favour: 100) (Against: 0)	(In Favour: 99.749) (Against: 0.251)	(In Favour: 99.765) (Against: 0.235)
9.	HUL	74.286 (In Favour: 99.389) (Against: 0.611)	77.236 (In Favour: 97.473) (Against: 2.527)	83.307 (In Favour: 100) (Against: 0)	89.391 (In Favour: 99.995) (Against: 0.005)	84.194 (In Favour: 96.205) (Against: 3.795)
10	ICICI BANK	74.02 (In Favour: 99.016) (Against: 0.984)	74.467 (In Favour: 95.484) (Against: 4.516)	74.296 (In Favour: 98.47) (Against: 1.53)	89.989 (In Favour: 99.556) (Against: 0.444)	91.85 (In Favour: 99.989) (Against: 0.011)
11	INDUSIND BANK	67.6 (In Favour: 99.437) (Against: 0.563)	67.36 (In Favour: 100) (Against: 0)	56.819 (In Favour: 99.985) (Against: 0.015)	65.498 (In Favour: 100) (Against: 0)	79.997 (In Favour: 99.808) (Against: 0.192)
12	INFOSYS	80.188 (In Favour: 97.417) (Against: 2.583)	NA	NA	NA	89.14 (In Favour: 99.96) (Against: 0.04)
13	ITC	88.855	93.619	89.42	90.045	64.476

		(In Favour: 95.93) (Against: 4.07)	(In Favour: 99.911) (Against: 0.089)	(In Favour: 98.778) (Against: 1.222)	(In Favour: 98.942) (Against: 1.058)	(In Favour: 98.43) (Against: 1.57)
14	KOTAK MAHINDRA BANK	NA	92.114 (In Favour: 100) (Against: 0)	NA	95.009 (In Favour: 99.993) (Against: 0.007)	95.311 (In Favour: 99.993) (Against: 0.007)
15	L&T	NA	NA	NA	NA	90.949 (In Favour: 99.923) (Against: 0.077)

Analysis of Variable 3

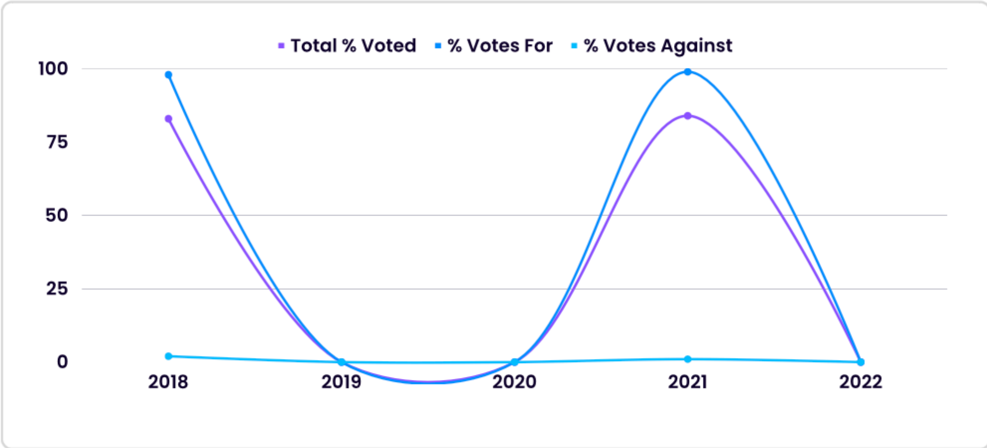
Asian Paints



Based on the analysis of the above-mentioned data points for Asian Paints, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 81-85% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance.

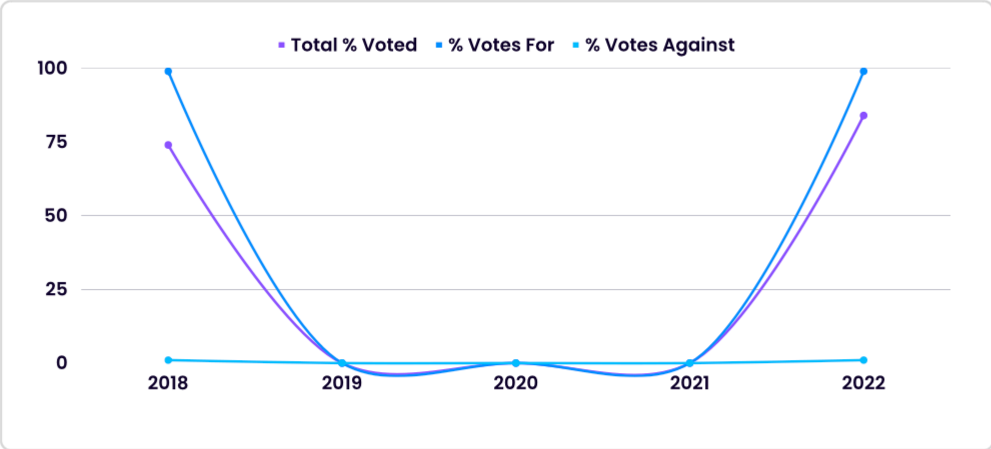
Axis Bank



Based on the analysis of the above-mentioned data points for Axis Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 83-84% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to appointment/remuneration of auditors.

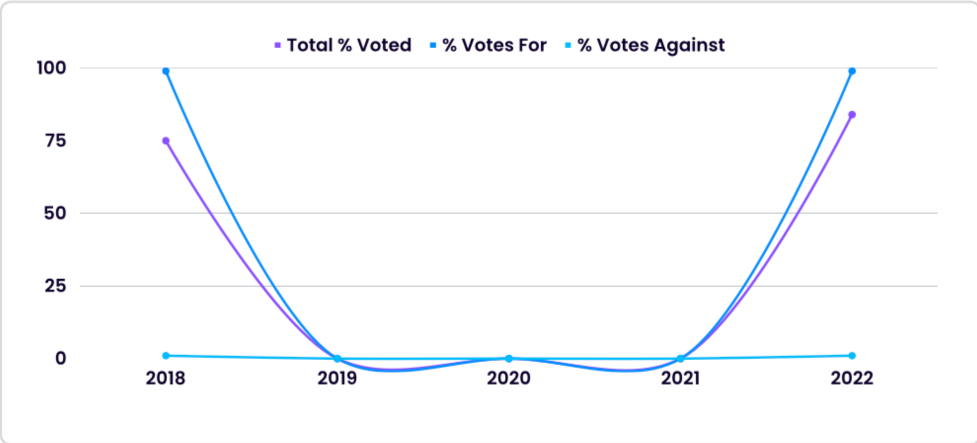
Bajaj Finance



Based on the analysis of the above-mentioned data points for Bajaj Finance, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 75-84% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to appointment/remuneration of auditors.

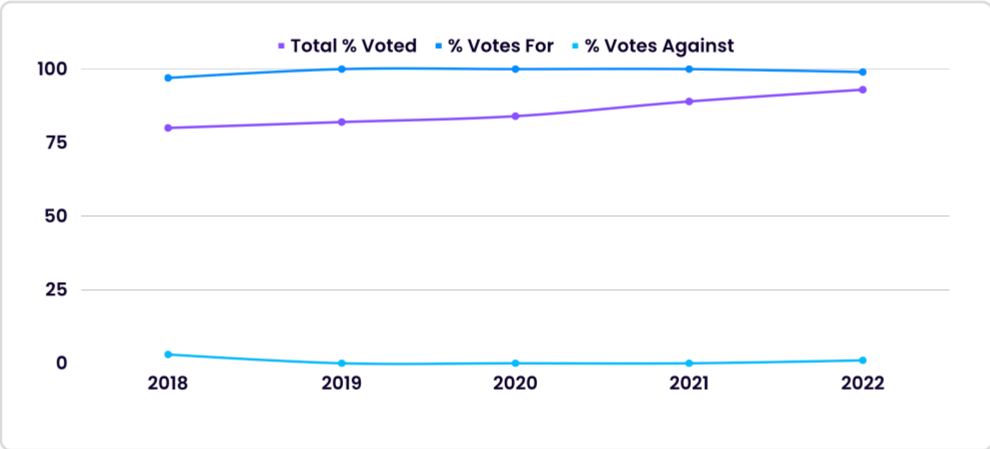
Bajaj Finserv



Based on the analysis of the above-mentioned data points for Bajaj Finserv, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 75-82% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to appointment/remuneration of auditors.

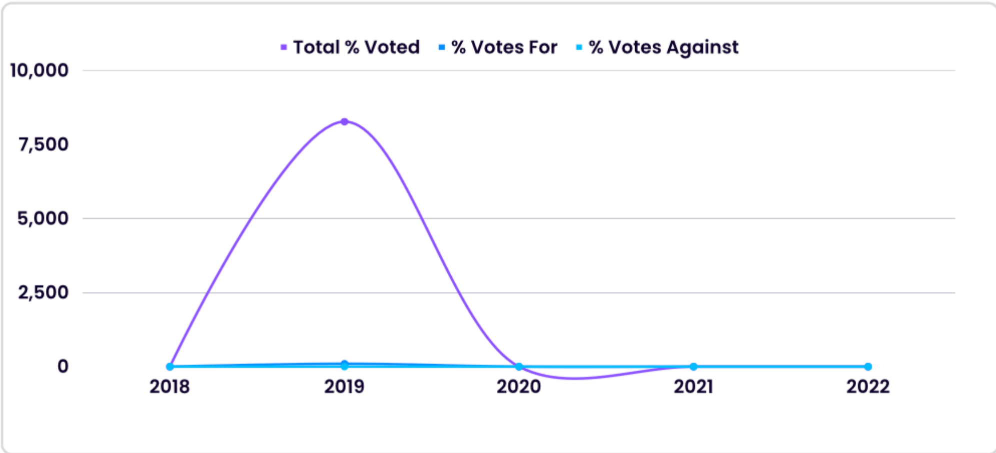
Bharti Airtel



Based on the analysis of the above-mentioned data points for Bharti Airtel, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 80-94% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance.

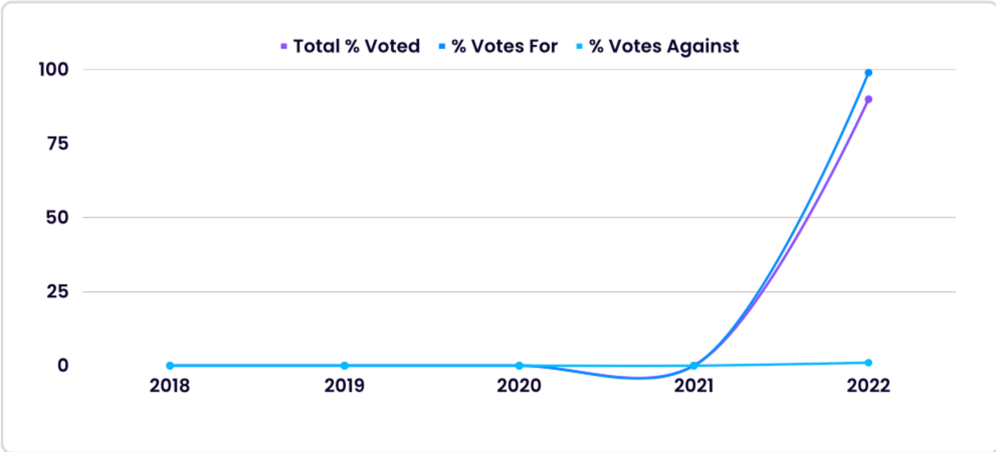
HCL Technologies



Based on the analysis of the above-mentioned data points for HCL technologies, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. 77% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to appointment/remuneration of auditors.

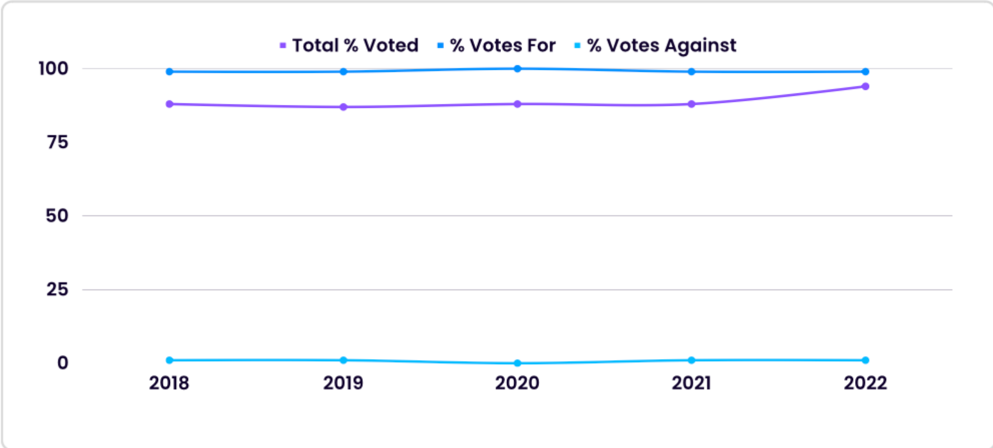
HDFC



Based on the analysis of the above-mentioned data points for HDFC, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. 91% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to appointment/remuneration of auditors.

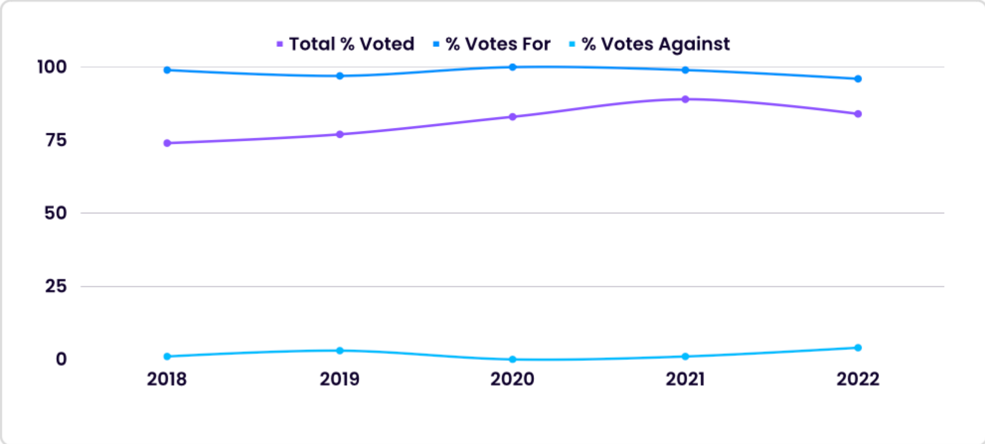
HDFC Bank



Based on the analysis of the above-mentioned data points for HDFC Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 88-95% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance.

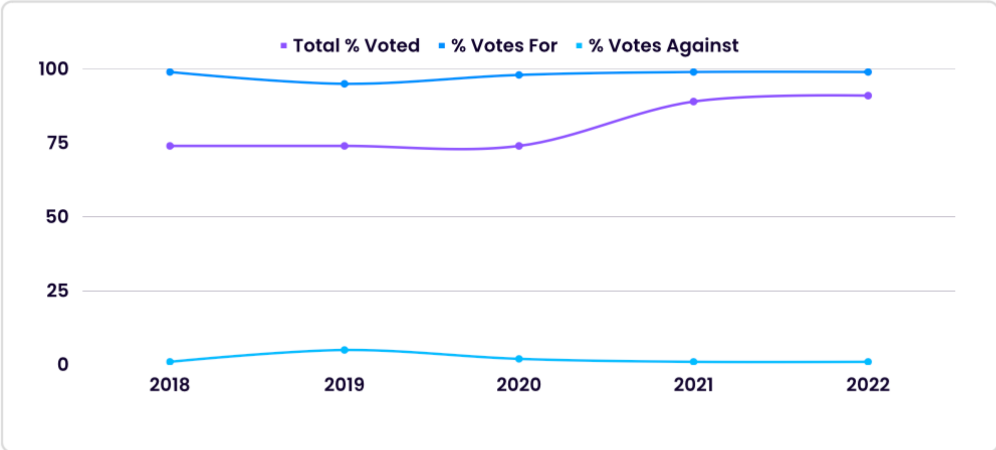
HUL



Based on the analysis of the above-mentioned data points for HUL, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 74-89% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance.

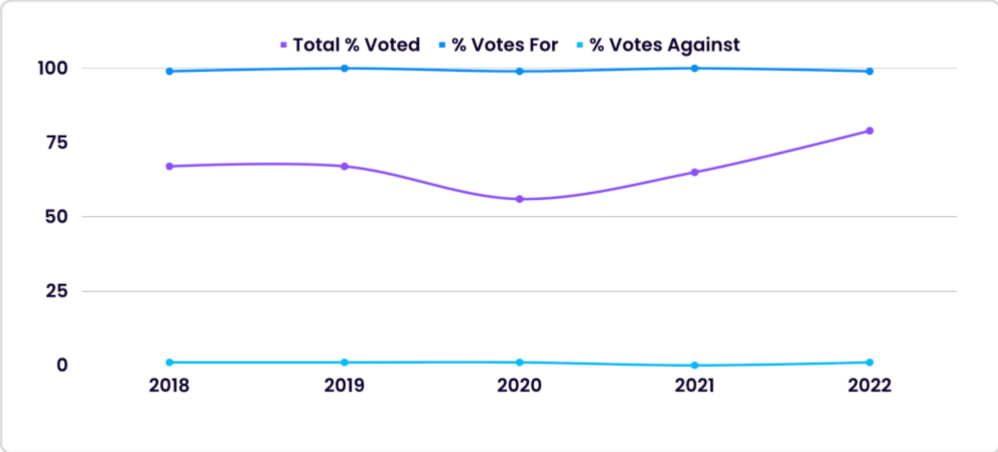
ICICI Bank



Based on the analysis of the above-mentioned data points for ICICI Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, ranging between 74-92% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance.

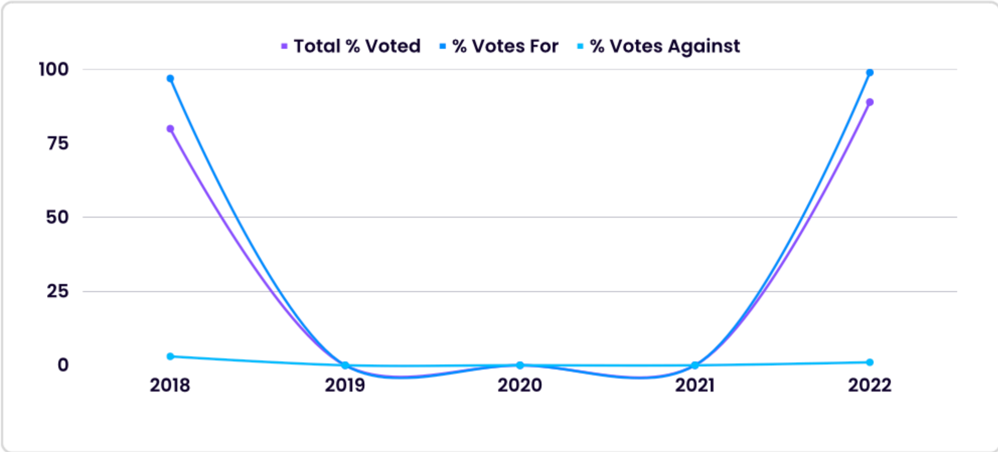
IndusInd Bank



Based on the analysis of the above-mentioned data points for IndusInd Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been above average, ranging between 57-80% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been good in the resolution approving process, but with negligible resistance.

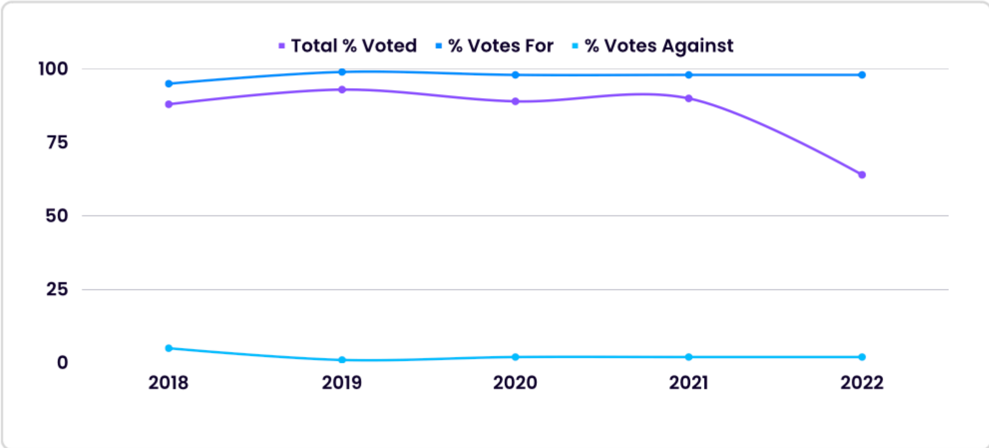
Infosys



Based on the analysis of the above-mentioned data points for Infosys, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. ranging from 80-89% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to appointment/remuneration of auditors.

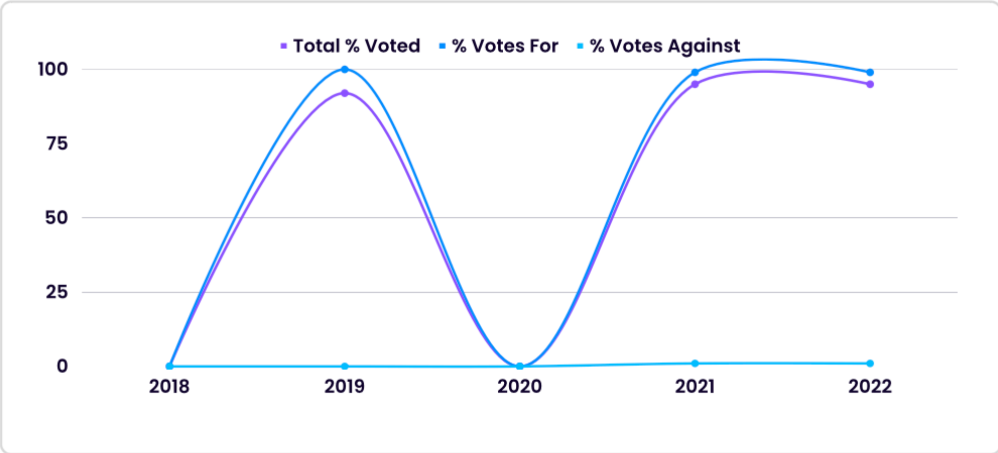
ITC



Based on the analysis of the above-mentioned data points for ITC, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been exceptional, ranging between 64-94% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been good in the resolution approving process, but with negligible resistance.

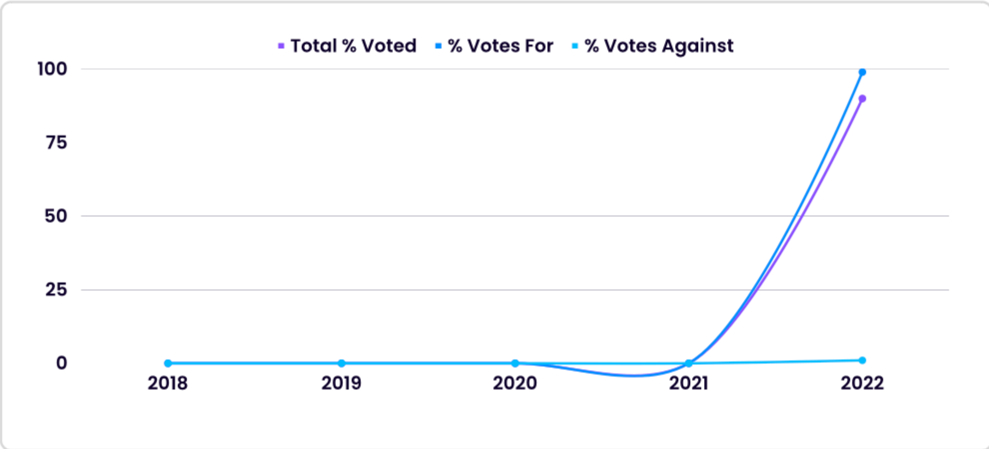
Kotak Mahindra Bank



Based on the analysis of the above-mentioned data points for Kotak Mahindra Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. ranging from 92-95% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to appointment/remuneration of auditors.

L&T



Based on the analysis of the above-mentioned data points for L&T, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. 91% approximately; (ii) and with negligible resistance/disapproval of the resolution placed for approving the remuneration/appointment of auditors of the company. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to appointment/remuneration of auditors.

Conclusion

Overall, based on the analysis of the above-mentioned data points, a generalization can be done and a conclusion can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of almost all the Institutional Investors has been mostly in the super majority, i.e. above 75% (barring random one or two exceptional years); and (ii) there has been negligible resistance/disapproval of the resolution placed for approving the auditors appointment/remuneration in the annual general meetings. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been good in the resolution approving process, but with negligible or no resistance.

Variable 4 | Institutional Investors' Opposition in AGMs (Ordinary Resolutions and Specials) to Issuing Dividends (% Range)

Sr. No	Name of the Company	Institutional Investors' Opposition in AGMs (Ordinary Resolutions and Specials) to Issuing Dividends (% Range)				
		2018	2019	2020	2021	2022
1.	ASIAN PAINTS	85.367 (In Favour: 100) (Against: 0)	82.818 (In Favour: 100) (Against: 0)	79.816 (In Favour: 99.964) (Against: 0.036)	81.176 (In Favour: 99.066) (Against: 0.934)	81.889 (In Favour: 99.348) (Against: 0.652)
2.	AXIS BANK	NA	80.7 (In Favour: 100) (Against: 0)	NA	NA	89.574 (In Favour: 99.867) (Against: 0.133)
3.	BAJAJ FINANCE	74.777	77.459	NA	83.055	84.188

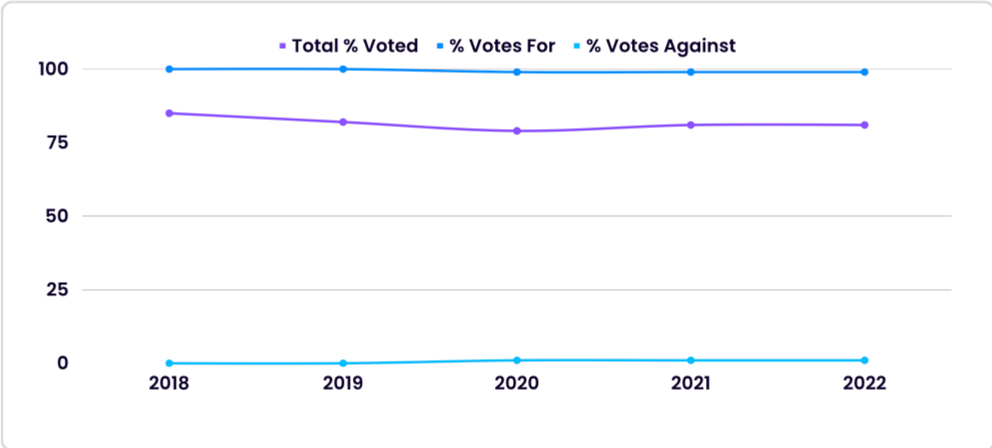
		(In Favour: 100) (Against: 0)	(In Favour: 100) (Against: 0)		(In Favour: 100) (Against: 0)	(In Favour: 100) (Against: 0)
4.	BAJAJ FINSERV	75.114 (In Favour: 100) (Against: 0)	72.9 (In Favour: 100) (Against: 0)	NA	70.935 (In Favour: 100) (Against: 0)	81.803 (In Favour: 99.823) (Against: 0.177)
5.	BHARTI AIRTEL	80.109 (In Favour: 100) (Against: 0)	NA	84.469 (In Favour: 99.225) (Against: 0.775)	NA	94.008 (In Favour: 100) (Against: 0)
6.	HCL TECHNOLOGIES	NA	NA	77.231 (In Favour: 100) (Against: 0)	NA	NA
7.	HDFC	84.722 (In Favour: 100) (Against: 0)	85.702 (In Favour: 100) (Against: 0)	87.438 (In Favour: 97.7) (Against: 2.3)	86.169 (In Favour: 100) (Against: 0)	91.399 (In Favour: 98.043) (Against: 1.957)
8.	HDFC BANK	88.026	87.971	NA	88.263	94.709

		(In Favour: 100) (Against: 0)	(In Favour: 100) (Against: 0)		(In Favour: 100) (Against: 0)	(In Favour: 100) (Against: 0)
9.	HUL	74.286 (In Favour: 100) (Against: 0)	77.475 (In Favour: 100) (Against: 0)	83.25 (In Favour: 100) (Against: 0)	89.407 (In Favour: 99.74) (Against: 0.26)	84.21 (In Favour: 100) (Against: 0)
10	ICICI BANK	74.395 (In Favour: 99.978) (Against: 0.022)	74.794 (In Favour: 100) (Against: 0)	NA	89.989 (In Favour: 99.891) (Against: 0.109)	91.862 (In Favour: 99.895) (Against: 0.105)
11	INDUSIND BANK	69.129 (In Favour: 99.993) (Against: 0.007)	67.36 (In Favour: 99.998) (Against: 0.002)	NA	65.498 (In Favour: 100) (Against: 0)	80.038 (In Favour: 100) (Against: 0)
12	INFOSYS	80.63 (In Favour: 100) (Against: 0)	84.925 (In Favour: 100) (Against: 0)	82.053 (In Favour: 100) (Against: 0)	88.362 (In Favour: 100) (Against: 0)	89.157 (In Favour: 100) (Against: 0)
13	ITC	91.961	93.619	89.474	90.045	64.476

		(In Favour: 100) (Against: 0)	(In Favour: 100) (Against: 0)	(In Favour: 99.871) (Against: 0.129)	(In Favour: 100) (Against: 0)	(In Favour: 99.952) (Against: 0.048)
14	KOTAK MAHINDRA BANK	74.39 (In Favour: 99.978) (Against: 0.022)	74.7 (In Favour: 100) (Against: 0)	NA	89.8 (In Favour: 99.891) (Against: 0.109)	91.86 (In Favour: 99.895) (Against: 0.105)
15	L&T	NA	NA	77.2 (In Favour: 100) (Against: 0)	NA	NA

Analysis of Variable 4:

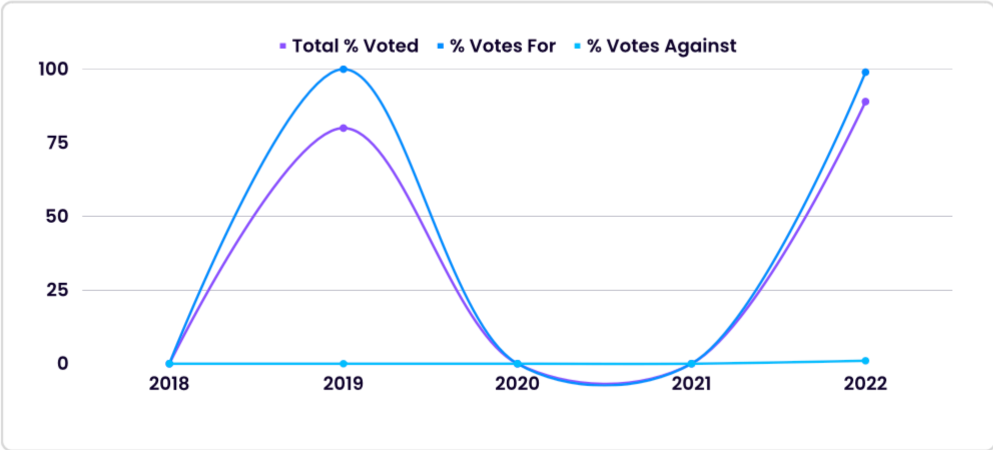
Asian Paints



Based on the analysis of the above-mentioned data points for Asian Paints, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. ranging from 80-85% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance.

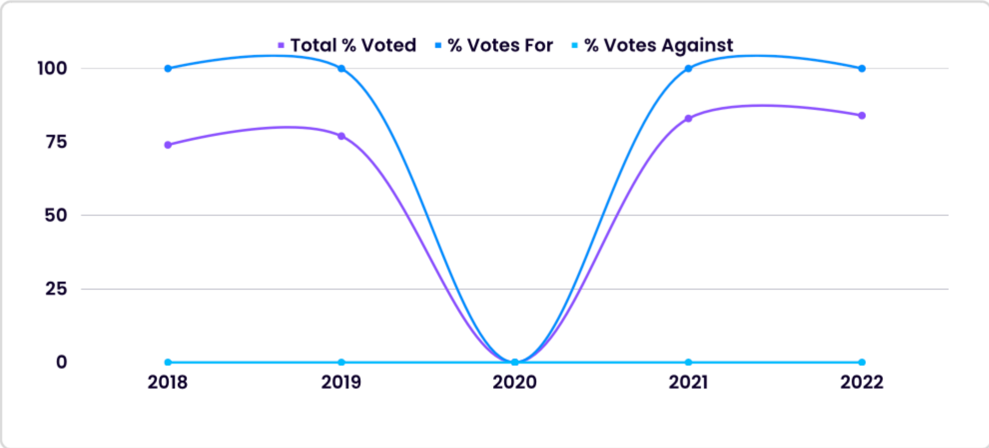
Axis Bank



Based on the analysis of the above-mentioned data points for Axis Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. ranging from 81-90% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to dividends.

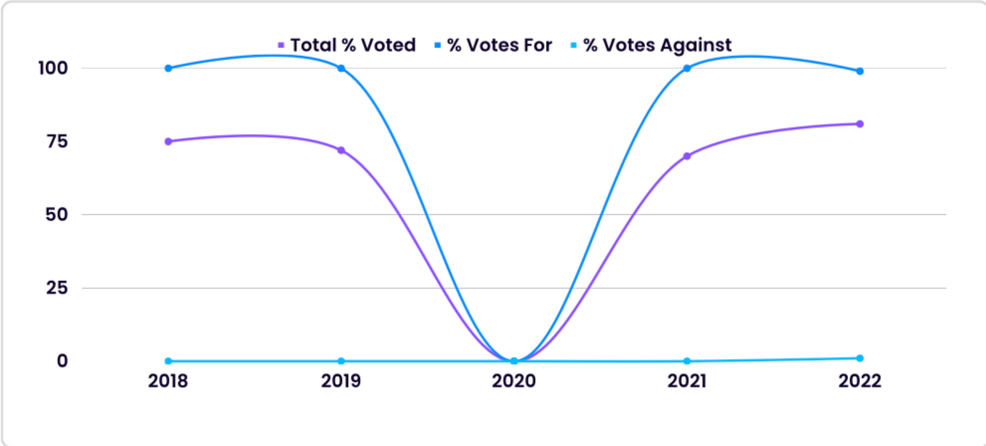
Bajaj Finance



Based on the analysis of the above-mentioned data points for Bajaj Finance, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. ranging from 75-84% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to dividends.

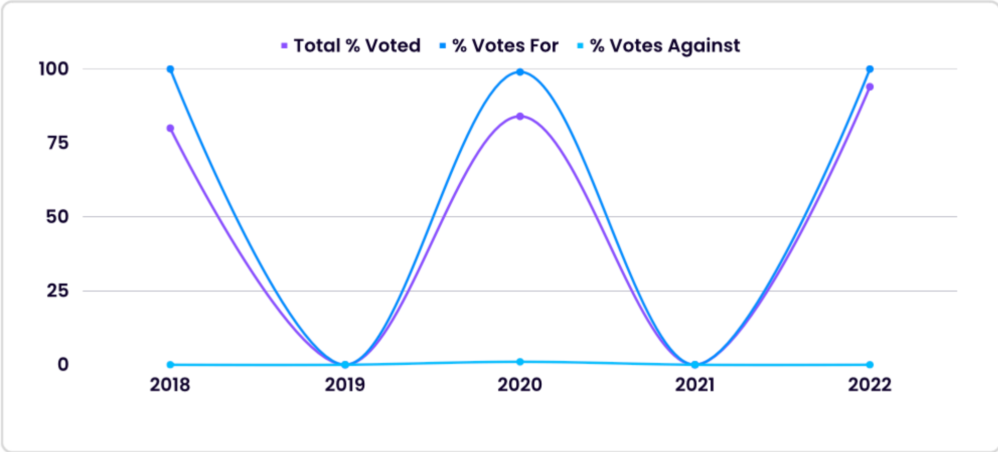
Bajaj Finserv



Based on the analysis of the above-mentioned data points for Bajaj Finserv, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. ranging from 71-82% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to dividends.

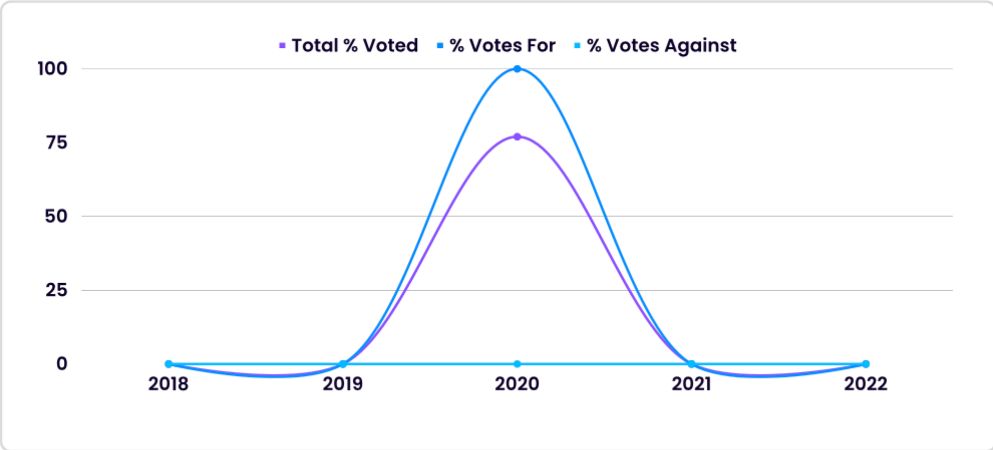
Bharti Airtel



Based on the analysis of the above-mentioned data points for Bharti Airtel, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. ranging from 80-94% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to dividends.

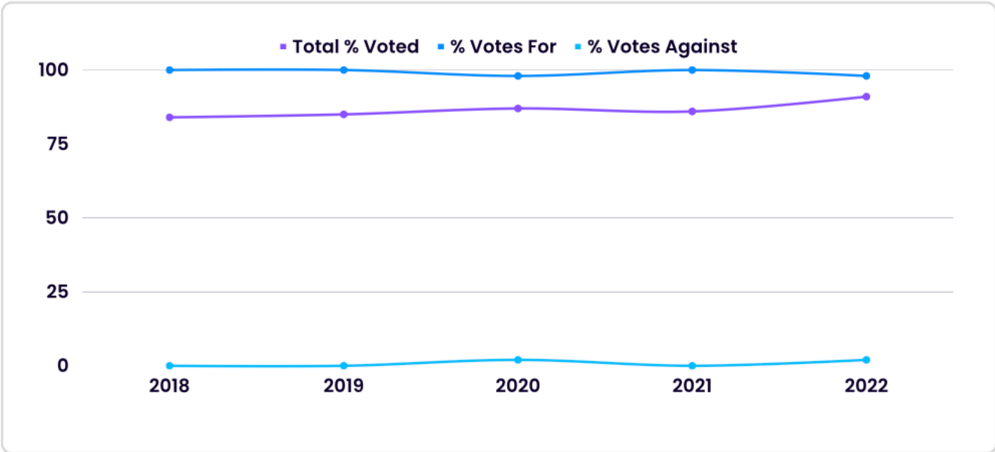
HCL Technologies



Based on the analysis of the above-mentioned data points for HCL Technologies, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. 77% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to dividends.

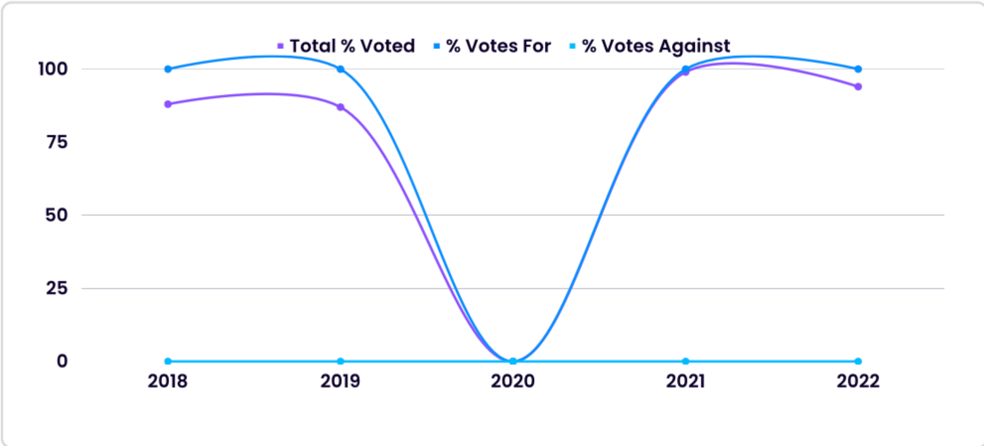
HDFC



Based on the analysis of the above-mentioned data points for HDFC, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. ranging from 85-91% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance.

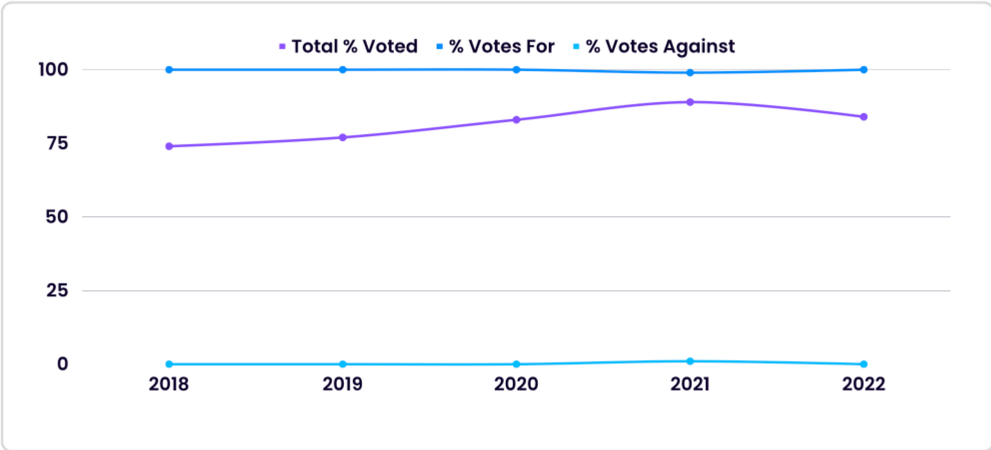
HDFC Bank



Based on the analysis of the above-mentioned data points for HDFC Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. ranging from 88-95% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to dividends.

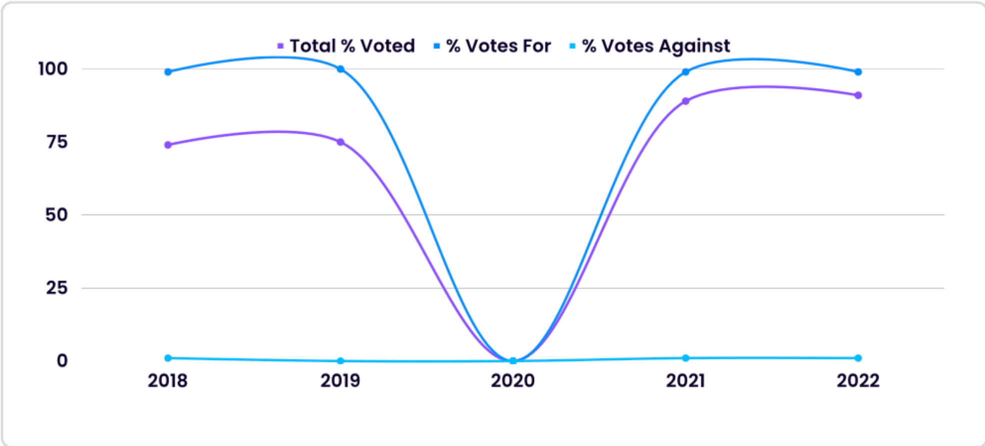
HUL



Based on the analysis of the above-mentioned data points for HUL, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been almost in the super majority, i.e. ranging from 74-89% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to dividends.

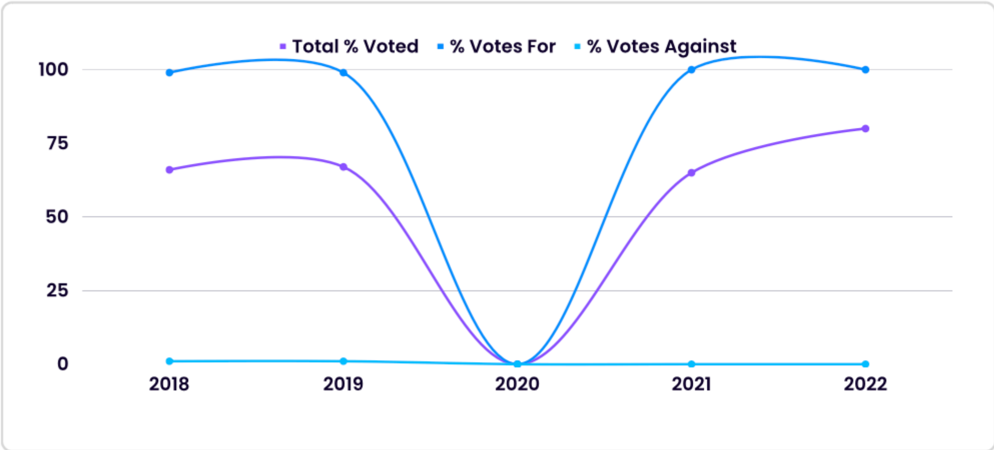
ICICI Bank



Based on the analysis of the above-mentioned data points for ICICI Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. ranging from 74-92% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to dividends.

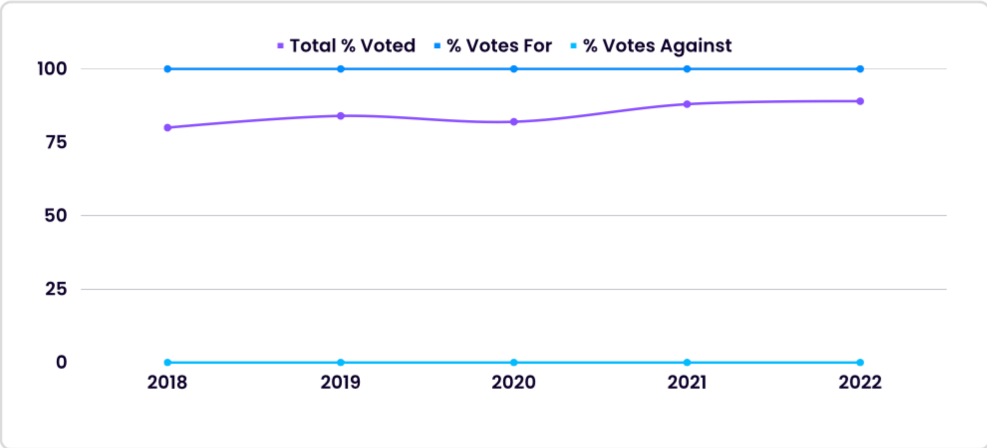
IndusInd Bank



Based on the analysis of the above-mentioned data points for IndusInd Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been above average, i.e. ranging from 66-80% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been above average in the resolution approving process, but with negligible or no resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to dividends.

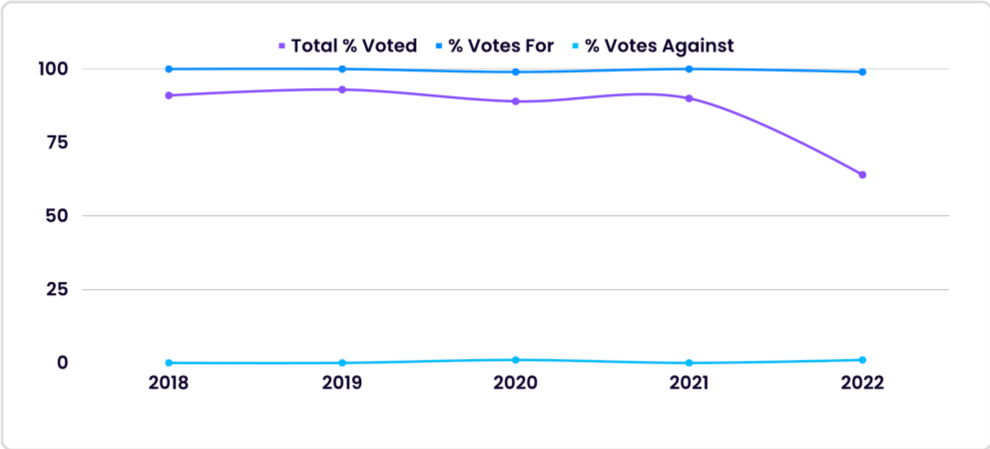
Infosys



Based on the analysis of the above-mentioned data points for Infosys, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. ranging from 82-89% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance.

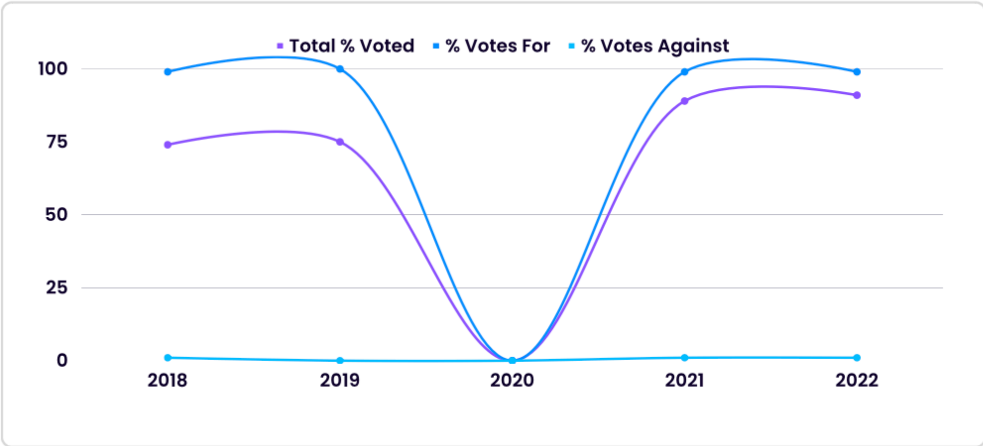
ITC



Based on the analysis of the above-mentioned data points for ITC, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has almost been in the super majority, i.e. ranging from 64-94% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance.

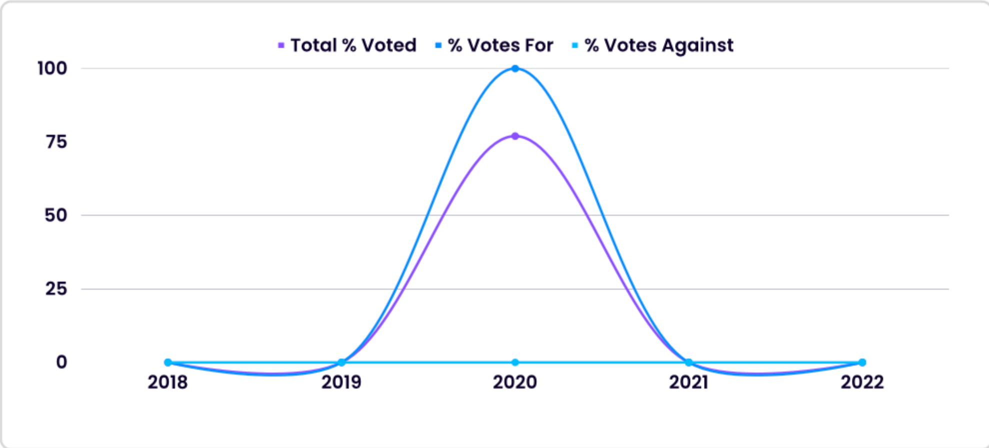
Kotak Mahindra Bank



Based on the analysis of the above-mentioned data points for Kotak Mahindra Bank, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. ranging from 74-92% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to dividends.

L&T



Based on the analysis of the above-mentioned data points for L&T, it can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of Institutional Investors has been in the super majority, i.e. 77% approximately; (ii) and with negligible or no resistance/disapproval of the resolution placed for approving the dividends. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been excellent in the resolution approving process, but with negligible or no resistance. The drop in the chat is only because of no resolution being placed in that specific year pertaining to dividends.

Conclusion

Overall, based on the analysis of the above-mentioned data points, a generalization can be done and a conclusion can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of almost all the Institutional Investors has been mostly in the super majority, i.e. above 75% (barring random one or two exceptional years);

and (ii) there has been negligible resistance or no resistance of the resolution placed for approving the dividends in the annual general meetings. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution.

Participation has been good in the resolution approving process, but with negligible or no resistance at all.

CHAPTER 5

"ANALYSIS OF COMPLIANCE WITH STEWARDSHIP OBLIGATIONS BY INSTITUTIONAL INVESTORS"

In order to understand whether institutional investors comply with their respective stewardship obligations, the following data points have been considered.

1. Whether institutional investors have formulated a comprehensive policy on their stewardship obligations and have disclosed the same?

2. Whether they have included the following components in their respective stewardship policies: (i) manage conflicts of interests in fulfilling their stewardship responsibilities; (ii) intervention in their investee companies; (iii) collaboration with other institutional investors to preserve the interests of the ultimate investors; and (iv) voting and disclosure of voting activity?

For the purpose of this study, the data set will cover the sample size of the following institutional investors: (a) top 10 largest insurance companies (from a market capital perspective); (b) top 10 largest equity AIFs; and (c) top 10 largest mutual funds in India.

Data Set 1 | Top 10 largest insurance companies (from a market capital perspective)

Sr. No	**Name of the Insurance Company**	**Comprehensive policy on their stewardship obligations Framed (Yes/No)**	**Stewardship Policy Publicly Disclosed (Yes/No)**	**Stewardship Policy has component relating to: (a) "conflict management", (b) collaboration with other IIs; (c) intervention in investee companies, and**

				(d) voting and disclosures (Yes/No)
1.	Life Insurance Corporation Of India	Y	Y	Y
2.	Bajaj Finserv Ltd	Y	Y	Y
3.	HDFC Life Insurance Company Ltd	Y	Y	Y
4.	SBI Life Insurance Company Ltd	Y	Y	Y
5.	ICICI Prudential Life Insurance Company Ltd	Y	Y	Y
6.	ICICI Lombard General Insurance Company Ltd	Y	Y	Y
7.	Star Health and Allied Insurance Company Ltd	Y	Y	Y
8.	General Insurance Corporation of India	Y	Y	Y
9.	Max Financial Services Ltd	Y	Y	Y

10	New India Assurance Company Ltd	Y	Y	Y

<u>Analysis & Conclusion</u>

Basis the analysis of the stewardship codes of the top 10 insurance companies of India, the study reveals that:

1. The insurance companies in India have formulated a comprehensive policy on their stewardship obligations and have also disclosed the same to the public at large.

3. They have also included the following components in their respective stewardship policies:

   (i) manage conflicts of interests in fulfilling their stewardship responsibilities;

   (ii) intervention in their investee companies;

   (iii) collaboration with other institutional investors to preserve the interests of the ultimate investors; and

   (v) voting and disclosure of voting activity.

Data Set 2 | Top 10 largest equity AIFs

Sr. No	Name of the AIFs	Comprehensive policy on their stewardship	Stewardship Policy Publicly Disclosed	Stewardship Policy has component

		obligations Framed (Yes/No)	(Yes/No)	relating to: (a) “conflict management”, (b) collaboration with other IIs; (c) intervention in investee companies, and (d) voting and disclosures (Yes/No)
1.	Abakkus Asset Manager	Y	Y	Y
2.	Girik Advisors	Y	Y	Y
3.	Alchemy Capital	Y	Y	Y
4.	Vishuddha Capital	Y	Y	Y
5.	Roha Asset Managers	Y	Y	Y
6.	Ampersand Capital	Y	Y	Y
7.	Proalpha Capital	Y	Y	Y
8.	Carnelian Asset Management	Y	Y	Y
9.	TCG Advisory Services	Y	Y	Y
1(	Accuracap Tech	Y	Y	Y

Analysis & Conclusion

Basis the analysis of the stewardship codes of the top 10 equity AIFs of India, the study reveals that:

1. The AIFs in India have formulated a comprehensive policy on their stewardship obligations and have also disclosed the same to the public at large.

2. They have also included the following components in their respective stewardship policies:

   (i) manage conflicts of interests in fulfilling their stewardship responsibilities;

   (ii) intervention in their investee companies;

   (iii) collaboration with other institutional investors to preserve the interests of the ultimate investors; and

   (vi) voting and disclosure of voting activity.

Data Set 3 | Top 10 largest mutual funds in India

Sr. No	Name of the Mutual Funds	Comprehensive policy on their stewardship obligations Framed (Yes/No)	Stewardship Policy Publicly Disclosed (Yes/No)	Stewardship Policy has component relating to: (a) "conflict management", (b) collaboration with other IIs; (c) intervention in investee companies, and

				(d) voting and disclosures (Yes/No)
1.	ICICI Prudential Focused Bluechip Equity Fund	Y	Y	Y
2.	Aditya Birla Sun Life Small & Midcap Fund	Y	Y	Y
3.	Tata Equity PE Fund	Y	Y	Y
4.	HDFC Monthly Income Plan – MTP	Y	Y	Y
5.	L&T Tax Advantage Fund	Y	Y	Y
6.	SBI Nifty Index Fund	Y	Y	Y
7.	Kotak Corporate Bond Fund	Y	Y	Y
8.	Canara Robeco Gilt PGS	Y	Y	Y
9.	DSP BlackRock Balanced Fund	Y	Y	Y
1(	Axis Liquid Fund	Y	Y	Y

Analysis & Conclusion

Basis the analysis of the stewardship codes of the top 10 mutual funds of India, the study reveals that:

1. The insurance companies in India have formulated a comprehensive policy on their stewardship obligations and have also disclosed the same to the public at large.

2. They have also included the following components in their respective stewardship policies:

   (i) manage conflicts of interests in fulfilling their stewardship responsibilities;

   (ii) intervention in their investee companies;

   (iii) collaboration with other institutional investors to preserve the interests of the ultimate investors; and

   (vii) voting and disclosure of voting activity.

CHAPTER 6

"CONCLUSION & RECOMMENDATIONS"

6.1 Conclusion

India possesses a significant domestic institutional shareholder base and a substantial foreign presence, particularly in top listed corporations of India. This study suggests that there has been a greater level of participation by institutional investors in voting at shareholder meetings. On a few occasions, the institutional investors have conveyed their discontentment towards the resolutions being proposed by the listed companies, by voting against such resolutions.

A persistent discourse has emerged regarding the potential benefits or drawbacks of investor activism for a given company. There is a perspective held by certain individuals that investors should not be granted excessive significance in the corporate governance of a company due to their perceived lack of expertise in effectively monitoring the organisation. Additionally, they perceive that this would detract them from their primary focus, which demands their undivided attention. While some argue that institutional investors have a crucial role to play in enhancing corporate governance practices.

Prior to actively engaging in a company's affairs, institutional investors must take into account a multitude of factors. A cost-benefit analysis must be performed to determine if the expenses associated with obtaining information and actively participating in the company's affairs and monitoring its operations would be outweighed by the benefits gained from such monitoring. In such an instance, they would be actively engaged in the company's operations. Otherwise, they would not do so.

Diverse perspectives exist regarding the extent to which institutional investors may intervene in the operational matters of a company. There is a suggestion that there may be circumstances where it is not appropriate for them to have the ability to make appointments.

The legal framework established within a country has a significant impact on the operational procedures of corporations. There is a tendency for economically interdependent nations to adopt comparable corporate governance standards, even after accounting for the influence of legal origin. This finding implies a correlation between economic interdependence and the convergence of corporate governance practices. The level of engagement of institutional investors in a company's corporate practices is contingent upon the legal framework established within the respective jurisdiction.

The role of institutional investors in corporate governance results in enhanced monitoring and improved corporate governance practices. Therefore, it is imperative to involve institutional investors more comprehensively in the corporate governance protocols of the organization, and the legal framework should support this endeavour. It is imperative that SEBI promulgate regulations to enable institutional investor activism in matters pertaining to corporate governance and not merely as a guidance.

The implementation of transparent and equitable business practices would enhance India's insulation against unfortunate events like the Satyam scandal. If institutional investors were incorporated as a significant and essential component of a company's decision-making process, Indian corporations could potentially excel in corporate governance on a global scale.

This research investigated how institutional investors might assist in their bettering the corporate governance situation in Indian listed companies. The analysis is based on the stewardship theory, specifically the stewardship codes applicable to institutional investors in India.

Based on the analysis of the participation of institutional investors in corporate governance of their public listed investee companies; a generalization can be done and a conclusion can be deduced that during the period selected for research (i.e. during the period between release of the SEBI Stewardship Code and the last annual general meeting for the year 2022): (i) participation of almost all the Institutional Investors has been mostly in the super majority, i.e. above 75% (barring random one or two exceptional years); and (ii) there has been negligible resistance or no resistance of the resolution placed for approving the dividends in the annual general meetings. Mostly all the Institutional Investors participating in the voting has been voting in favour of the resolution. Participation has been good in the resolution approving process, but with negligible or no resistance at all.

Based on the analysis of the compliances met by the institutional investors of their stewardship obligations under law; it is evident that all the institutional investors which are bound by the stewardship obligations are clearly following the guidelines and adhering to each guideline on paper. To what extent such policies are being adhered to is a question of fact and will depend upon case-to-case basis. There is no information available in public domain to check this aspect as it remains the matter of indoor management and also closed room discussions or at the max, board room discussions, which the general public or the regulators are not privy to.

In summary, the study presents a brief overview of the topic at hand. The conclusion drawn from the information collected is that further research may be needed to fully understand the complexities of the subject as the boardroom roles and influences of the institutional shareholders are not available in the public domain. This study tries to connect the dots with the information which is available in the public domain.

Having articulated the above, based on the doctrinal and empirical research conducted (relating to secondary sources), the study concludes the following:

1. The theoretically, the institutional investors play an important role in corporate governance in Indian listed companies;

2. The institutional investors actively participate in resolution approving process in their respective Indian listed investee companies;

3. Generally, super-majority of the institutional investors cast their votes on resolutions placed in shareholders meetings of their listed investee companies;

4. Rarely they disapprove or show any resistance relating to approving the accounts of the company and approving the dividends of the company in the annual general meetings;

5. In some cases, they show resistance or vote against the appointment/reappointment and remunerations of directors and key managerial persons of their listed investee companies; and appointment and remuneration of auditors;

4. Generally, the institutional investors comply with their respective stewardship obligations as set out in the SEBI Stewardship Code;

5. In particular, the institutional investors:

   (a) have formulated a comprehensive policy on their stewardship obligations and have also disclosed the same to public at large;

   (b) have included the following components in their respective stewardship policies: (i) manage conflicts of interests in fulfilling their stewardship responsibilities; (ii) intervention in their investee companies; (iii) collaboration with other institutional investors to preserve the interests of the ultimate investors; and (iv) voting and disclosure of voting activity.

In short, they do comply and follow the stewardship guidelines, however, the voting pattern doesn’t suggest any real/practical effect of their voting as most of the times they simply approve the resolution with negligible or resistance.

In light of this study and the above-mentioned conclusions, the following Hypothesis stands proven that: *The institutional investors play an active role in good corporate governance in their respective Indian listed investee companies.*

6.2 Suggestions and Recommendations

Based on this study and the conclusions arrived at, following suggestions and recommendations will certainly assist in good corporate governance of listed companies having institutional investors as shareholders:

Hard law instead of merely guidelines:

As the study suggests, the institutional investors are complying with SEBI Stewardship Code in letter. However, it will result in good corporate governance, only when it is complied with in spirit as well. Merely attending the meeting and voting in the general meetings is not enough. Effective participation in the meeting, where resolutions placed by the company are discussed (and wherever required are resisted) is the requirement.

The SEBI Stewardship Code should be amended to broadly reflect the following:

1. Should be mandatorily followed and not merely as a guideline;

2. There should be a regular audit of the institutional investors, and non-compliances should have penalties;

3. Proper documentation should be maintained by the institutional investors recording their reasons for voting in a manner in the general meetings of the listed companies;

4. Ideally, such documents should be made publicly available; which will result in greater guidance to the retail investors- which is generally in the dark because of lack of information; and

5. As institutional investors have greater influence and deeper pockets, they should have some level of fiduciary obligations towards the company and must act in the best interest of the company, while voting on a resolution.

<u>Efficient, effective, and collaborative communication between institutional investors in the same listed company:</u>

The institutional investors which are shareholders in the same listed company should endeavour to engage in periodic corporate governance discussions amongst themselves and with the investee listed company. The notion is that a collaborative strategy could prove effective.

This cannot be included as mandatory compliance provision but should be included as a guidance.

In light of the above, the following proposal sets out a comprehensive recommendation for the revision of the SEBI (Securities and Exchange Board of India) Stewardship Code, with the objective of augmenting corporate governance and safeguarding the interests of investors.

1. Broadening the Range of Stewardship Endeavors:

It is recommended that the application of the Stewardship Code be expanded to encompass all institutional investors, and not only restricted to AIFs, mutual funds, insurance companies, and pension funds, in order to promote active ownership throughout the market.

2. In order to ensure adherence to the Stewardship Code, it is recommended that institutional investors be mandated to disclose their compliance and provide annual reports on their stewardship activities;

3. To improve the proxy voting process, it is recommended to enhance transparency and accountability by mandating institutional investors to disclose their voting results and records; and not just the policies / guidelines;

4. It is recommended to promote the prompt and thorough revelation of voting determinations, encompassing a rationale for opposing administrative propositions;

5. Establishing a mechanism that enables investors to engage with one another and collectively vote on significant matters is recommended to enhance their influence;

6. To enhance the process of board evaluation, it is recommended that all publicly traded companies be required to conduct annual board evaluations;

7. It is recommended that board evaluations be carried out by external independent professionals to uphold impartiality and credibility;

8. It is recommended to expand the assessment parameters in order to evaluate the board's composition, diversity, efficacy, and compliance with corporate governance principles;

9. It is recommended to harmonize the Stewardship Code with internationally recognised sustainability reporting frameworks, such as the Global Reporting Initiative (GRI) or Sustainability Accounting Standards Board (SASB), in order to promote uniform and comparable reporting;

10. Enhancing Investor-Company Engagement: Foster proactive engagement between institutional investors and companies regarding governance matters such as executive compensation, board diversity, and risk management. One recommended approach is to establish a means of communication, such as regular meetings, town halls, or online platforms, to foster a constructive dialogue between investors and companies. This can help to promote a shared understanding of expectations and concerns. The objective is to foster responsible shareholder activism by creating a set of guidelines that prioritise the promotion of long-term sustainable value creation while safeguarding the interests of all stakeholders.

11. To enhance enforcement and monitoring, it is recommended to augment regulatory oversight and monitoring of institutional investors' adherence to the Stewardship Code by conducting frequent inspections and audits.

12. Therefore, I recommend that the implementation of rigorous sanctions for non-adherence, such as monetary penalties, public exposure of non-conforming entities, and revocation of voting privileges.

The proposed amendments have the objective of promoting transparency, accountability, and shareholder participation, thereby resulting in enhanced corporate governance standards and improved safeguarding of investor interests in the capital markets of India.

6.3 Concluding Remarks For Future Research:

The research conducted in this study will undoubtedly pave the way for future investigations in the same field. The depth and breadth of the findings provide a solid foundation upon which future researchers can build and expand their inquiries. By uncovering new insights, elucidating complex mechanisms, and addressing significant gaps in knowledge, our research not only contributes to the existing body of literature but also opens up exciting avenues for further exploration. The comprehensive data and innovative methodologies utilized in this study offer a roadmap for future investigations, empowering researchers to delve deeper into the subject matter and uncover new frontiers of understanding. Through this rigorous and meticulous approach, I hope to inspire and guide the legal community towards continued research excellence and transformative study.

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Annexure 1
Comparison of Stewardship Codes of the IDRAI, the PFRDA and SEBI

Principles	IRDAI Guidelines on Stewardship Code for Insurers	PFRDA Common Stewardship Code & SEBI Stewardship Code
Principle 1	Insurers should formulate a policy on the discharge of their stewardship responsibilities and publicly disclose it	Institutional investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically
Principle 2	Insurers should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it	Institutional investors should have a clear policy on how they manage conflicts of interests in fulfilling their stewardship responsibilities and publicly disclose it
Principle 3	Insurers should monitor their investee companies	Institutional investors should monitor their investee companies
Principle 4	Insurers should have a clear policy on intervention in their investee companies	Institutional investors should have a clear policy on intervention in their investee

		companies. Institutional investors should also have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the ultimate investors, which should be disclosed[94]
Principle 5	Insurers should have a clear policy for collaboration with other institutional investors, where required, to preserve the interests of the policyholders (ultimate investors), which should be disclosed	Institutional investors should have a clear policy on voting and disclosure of voting activity
Principle 6	Insurers should have a clear policy on voting and disclosure of voting activity	Institutional investors should report periodically on their stewardship activities
Principle 7	Insurers should report periodically on their stewardship activities	

[94]The PFRDA and SEBI stewardship codes have combined principles 4 and 5 of the IRDAI code. Therefore, the serial numbers of the principles thereafter do not match

Annexure 2

Key Literature Review & Gaps

Sr No	Name: Research Paper/Book	Year of Publication & Publisher	Author(s)	Research Methodology	Research Finding	Literature Gap
1.	Corporate Governance and Accountability (Book)	2013 Chichester: John Wiley and Sons Ltd.	Solomon, J	Doctrinal	The authors have summarised the recent developments in corporate governance. They have adopted a holistic approach in taking the broadest view of the corporate governance agenda, including both theory and practice. The authors have provided their views in form of	Though the authors have observed and identified that the institutional investors have stewardship obligations towards their investee company(ies), there is no empirical evidence which has been provided on the efficacy of such obligations or whether the institutional investors actively participate in improving the corporate governance of the

					commentary. Institutional investors' duties in monitoring their investee firms extend beyond their financial incentives to include stewardship responsibilities, which leads to the maximisation of beneficiaries' interests. According to them the institutional investors' duties in monitoring their investee firms extend beyond	investee companies.

					their financial incentives to include stewardship responsibilities, which leads to the maximisation of beneficiaries' interests	
2.	Corporate Governance (Book)	2016 Oxford University Press	Mallin, C	Doctrinal	Similar observations as set out in #1 was made by the author.	Same as above in #1.
3.	Ownership, activism and engagement: Institutional investors as active owners	2016 Corporate Governance International Review	McNulty, T. and Nordberg, D.	Conceptual	The research objective was to understand: (a) why do some institutional investors operate at a distance from organizations seemingly acting only to	The authors have only observed and conceptualised that the stewardship codes/guidelines may enhance the role of institutional investors towards good corporate governance. However, there is no empirical

					"exit" and "trade" shares; and (b) what processes and behaviour are associated with active ownership. Authors observed in their conceptual analysis that the stewardship codes and guidelines that have been published by several countries are considered to be essential tools that may be used to enhance the dialogue between institutional	evidence which has been provided on the efficacy of such role and active participation in improving the corporate governance.

					investors and their investee firms.	
4.	Institutional Investors And Corporate Behaviour (Book)	1999 The AEI Press	Gile, Ehud and Glenn	Doctrinal	The authors are of the opinion that the pressure for institutional investors to 'not just sit but do' is only growing and will continue to grow as these investors sit on a pile of money and have significant influential powers. They also suggest that pressure has built up because these investors only intervene in	The authors have only observed and opined on the role of institutional investors towards good corporate governance. However, there is no empirical evidence which has been provided on the efficacy of such role and active participation in improving the corporate governance.

					governance when the company is tracing a downward trend or is making losses. institutional investors activism needs to be further strengthened to implement effective corporate governance.	
5.	The colors of investors' money: The role of institutional investors around the world.	2008 Journal of Financial Economics	Ferreira, M. A. and Matos, P	Empirical	The authors examined the role of institutional investors in the improvement of firm performance by examining listed firms in 27 countries between 2000 and 2005. They	The empirical research study highlights the relationship between role of institutional investors and investee firms value/performance. However, there is no empirical evidence/research to

					found that across the globe, foreign and independent institutional investors promoted greater firm value and operating performance.	identify the role and active participation of institutional investors in improving the corporate governance.
6.	Does governance travel around the world? Evidence from institutional investors	2011 Journal of Financial Economics	Aggarwal, R., Erel, I., Ferreira, M. and Matos, P.	Empirical	The authors examined the role of institutional investors in the improvement of corporate governance. They scrutinised the activities of businesses in 23 countries from 2003 to 2008. They	The result indicates that domestic institutional investors don't play an active role in promoting good corporate governance. However, this study was before the stewardship codes of India, hence the same should be analysed researched with India

					found that non-local institutional investors were the main promoters of governance outcomes around the world. In particular, foreign institutions and institutions originating in countries with strong shareholder protections took the lead in promoting better governance structures outside the US. Their results indicated that the activism and	specific data points. Also, the result relied on 'governance index' which is prevalent in jurisdictions outside India. In India, we don't have a regulator's corporate governance index.

					monitoring of institutional investors extended beyond borders, yielded better governance outcomes and increased the performance of investee firms outside the US.	
7.	Institutional investor heterogeneity and firm valuation: Evidence from Latin America	2016 Emerging Markets Review	De-la-Hoz, M. C. and Pombo, C.	Empirical	The authors analysed a sample of listed firms in Latin-American countries between 1997 and 2011 and reported that the greater the presence of institutional	The empirical research study highlights the relationship between role of institutional investors and investee firms value. However, there is no empirical evidence/research to identify the

					investors as dominant shareholders, the higher the firm value.	role and active participation of institutional investors in improving the corporate governance.
8.	Institutional ownership and the selection of industry specialist auditors	2003 Review of Quantitative Finance and Accounting	Velury, U., Reisch, J. T. and O'Reilly, D. M.	Empirical	The research study identified that higher the number of institutional investors, the greater the likelihood that an industry-specialist auditor would be appointed to perform auditing services for the investee firm. Their results indicated that institutional investors were	Though the research study may indicate that appointment of such high quality auditors helps in improving the monitoring process. The research study doesn't comment on the relationship/role of institutional investors in improving the corporate governance process or whether they actively participate in the process.

					likely to employ higher quality auditors in an attempt to enhance the financial reporting of their investee firms; and the presence of institutional investors served to provide better monitoring of management via the use of large auditing firms tasked with carrying out annual audit responsibilities.	
9.	Shareholder Stewardship in	2020 NUS Centre for	Umakanth Varottil	Doctrinal	The aim of this paper was to examine	The working paper only comments and analyses

	India: The Desiderata	Asian Legal Studies Working Paper			whether the Indian stewardship code is capable of transposition to other jurisdictions that experience different corporate structures as well as legal and institutional mechanisms. The paper concluded that while India has sought to move towards a UK-style stewardship code, the developments have been fragmented, largely due to the involvement of various sectoral regulators and also	the Indian stewardship code and compares the same with the UK stewardship code. However, there is no empirical evidence/research to identify the role and active participation of institutional investors in improving the corporate governance.

					that the developments have been unsatisfactory.	
10	Promoting Good Corporate Governance in India Through Institutional Investors' Activism: Concerns and Steps Forward	2021 Economic & Political Review	Sakshat B. and Rusha G.	Empirical	The research study critically analysed is crucial to understand the impact of the implementation of the stewardship codes in India on institutional investors' activism. The authors analysed the institutional investors' behaviour in top 10 nifty 50 companies. The research concluded that	There is a need to expand the initial empirical research done by the authors to identify the role and active participation of institutional investors in improving the corporate governance, by using a larger pool of primary data and analysing a larger set of company pool.

					because of the lack of consensus in governance decisions amongst the various institutional investors further erodes their controlling power.	
11	Role of Institutional Investors in Corporate Governance & Social Responsibility	2020 Test Engineering & Management Review	Dr. Ravi Gupta, Dr. Priti Gupta, Dr. Satish Chand Sharma	Mixed (Doctrinal & Empirical)	This research study analyses the corporate governance activism of an institutional investor. The objective of this study was to evaluate the role of institutional investors in good governance.	However, there is no empirical evidence/research to identify the actual participation of institutional investors in improving the corporate governance.

					The paper concludes (basis a public survey done on role of institutional investors) that majority of the public agreed that institutional investors play a role in good governance.	

<u>Literature Gap & Need For Further Study</u>

The review of the key studies conducted within this field demonstrates that most of these studies were based largely on US and UK data, which implies a need to investigate the topic using an Indian sample. Unfortunately, few studies have yet to utilise such Indian samples in the context of the Indian stewardship code/guideline. Further, there is no specific research study (except for a few newspaper reporting) on the compliance aspect of the stewardship code by institutional investors.

Therefore, this study aims to fill the gap by investigating the institutional investor's stewardship role and active participation in the improvement of corporate governance; and checking the compliance with the Indian stewardship codes/guideline.

Annexure 3

Summary of Corporate Governance Theories

Issues	**Agency Theory**	**Stewardship Theory**	**Resource Dependence Theory**	**Institutional Theory**	**Stakeholder Theory**
Principles	Describes a relationship wherein one party delegates work to another party. In terms of a corporation, owners are the principals and directors are the agents.	Directors are regarded as the stewards of a company's assets and are expected to act in the best interests of shareholders.	Directors are able to connect the company with the resources required to achieve corporate objectives.	The institutional environment influences those social beliefs and practices that impact various actors within a society.	Takes into account a wide range of constituents rather than placing all focus on the shareholders.
Perspective	Outside	Inside	Outside	Outside	Outside
Perception of Corporate Management	Managers are self-interested.	Corporate managers are loyal and work towards the	Corporate managers seek to secure	Corporate managers are influenced by	Corporate managers have a different view of

		best interests of shareholders.	valuable resources.	external norms and regulations.	each stakeholder.
Discipline	Finance and Economics	Sociology and Psychology	Sociology	Economics and Sociology	Economics and Organisational Theory
Emergence	1970s	1990s	1980s	1980s	1980s
Critics	- Principal conflict. - Other stakeholders are not considered - The Model of Man.	- Dependent on cultural norms. - Achieving balance between the various stakeholders' interests is not explored.	- A lack of coordination between firms, which can limit an organisation's ability to acquire needed resources.	- Some institutional practices are mandatory.	- The involvement of stakeholders is dependent on national laws and customs. - Achieving balance between the interests of all stakeholders seems unfeasible.

PLAGIARISM CERTIFICATE

I **Dr. Shikha Dimri** (Internal Guide) certify that the Thesis titled: "**THE ROLE OF INSTITUTIONAL INVESTORS IN CORPORATE GOVERNANCE OF LISTED COMPANIES IN INDIA: A CRITICAL ANALYSIS WITH REFERENCE TO STEWARDSHIP CODES**" submitted by Scholar **Mr. Abhishek Sinha**, having SAP ID **500095496** has been run through a Plagiarism Check Software (Turnitin) and the Plagiarism Percentage is reported to be **7%**.

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