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Changing Trends Of Shareholders' Participation In Indian Companies And The Corporate Governance

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Abstract

Introduction: The introduction outlines the evolution of corporate governance in India, focusing on how regulatory reforms and globalisation have reshaped shareholder participation. It frames the research problem of limited minority influence in promoter-driven firms and sets objectives to evaluate evolving patterns, activism's role, and its impact on governance outcomes.

Literature Review: The literature review has developed an understanding of shareholder participation and its changing role in India. The literature is studied to analyse the relation of shareholder participation to the different aspects of the businesses, like decision-making and performance. Theories like Agency theory and Stakeholder theory have helped to reinstate the studies.

Methodology: The researcher has used the secondary data collection method in this research. The researcher has used the positivism philosophy and descriptive design for developing the data collection and research framework.Secondary data sources, doctrinal analyses, and empirical studies were reviewed systematically using PRISMA. Thematic analysis identified patterns of participation and activism, ensuring reliability through strict inclusion criteria, quality appraisal, and adherence to academic and ethical standards.

Findings and Analysis: The findings reveal three themes: institutional investors and proxy advisors driving governance change, ownership structures shaping outcomes, and persistent gaps between legal reforms and practice. While institutional activism enhances transparency, promoter dominance and weak retail involvement restrict inclusivity. Sectoral differences further illustrate uneven governance improvements across industries and ownership models.

Discussion: The discussion synthesises findings with literature, showing alignment on activism's role in transparency and accountability but divergence on performance impacts. Objectives are addressed by tracing evolving patterns, linking activism with governance, and examining effects on board decisions. Persistent institutional and cultural barriers demonstrate gaps between legal frameworks and practical realities.

Conclusion: The conclusion summarises that shareholder participation in India has advanced through reforms, institutional activism, and technology, yet remains constrained by promoter dominance and weak retail involvement. Governance practices show improvements in disclosure and accountability but inconsistent performance outcomes. Shareholder democracy in India is progressing, though significant systemic barriers persist.

Keywords: Shareholder Participation, Corporate Governance, Shareholder Activism, Institutional Investors, Proxy Advisory Firms, Promoter Ownership, E-voting, Minority Shareholders, SEBI Regulations, Board Accountability

List of Abbreviations

AGM - Annual General Meetings

LODR - Listing Obligations and Disclosure Requirements

ESG - Environmental, Social, and Governance

FII - Foreign Institutional Investor

NCLT - National Company Law Tribunal

NSE- National Stock Exchange

OECD - Organisation for Economic Co-operation and Development

OLS - Ordinary Least Squares

ROA -Return on Assets

SEBI - Securities and Exchange Board of India

1. Introduction

1.1 Background

Corporate governance has been a crucial pillar of organisational stability and accountability in India, especially as Indian firms became more connected with global financial markets after liberalisation. Shareholder involvement shows how capital sources may influence management, encourage openness, and hold boards accountable in corporate governance (Tejedo-Romero and Araujo, 2022). Indian governance is based on concentrated ownership, where promoters and families make decisions. Few minority stockholders can influence policy or express concerns. However, the Companies Act, 2013 and SEBI amendments have altered shareholder-board-management relations. E-voting, stewardship standards, proxy consulting services, and class actions shift corporate decision-making and improve shareholder democracy. Global governance improvements must be considered while assessing shareholder engagement in India. Investor activism has increased accountability worldwide, especially in dispersed ownership markets like the US and UK. Indian promoters usually own majority stakes, making lobbying harder. Due to power concentration, retail investors, who rarely vote at AGMs, are less powerful. Despite structural challenges, mutual funds, and foreign institutional investors have improved governance (Dasgupta*et al*., 2021). Their increased involvement in listed companies lets them challenge board decisions, improve disclosure, and influence CEO compensation, related party transactions, and mergers.

This study also shows how regulatory regimes change participation tendencies. SEBI requires all shareholders to have e-voting, enabling increased engagement beyond meetings. This has been vital to democratising decision-making and guaranteeing inclusion, especially for small investors who were previously excluded owing to geography or logistics. The 2020 stewardship code requires institutional investors to reveal their vote rationales, improving openness and accountability (Johnston*et al.*, 2022). Proxy advice services now analyse board resolutions and advise shareholders on voting. This transformation in governance culture makes shareholders active players in company policymaking rather than passive funders. However, shareholder engagement in India has constraints. Retail investors are mostly passive and vote less than institutional investors. Although these obstacles remain, legal reforms, global integration, and investor awareness are growing shareholder engagement in Indian corporate governance.

1.2 Rationale and problem statement

The study of shareholder participation in Indian firms is driven by the realisation that capital sources are becoming active governance drivers. India's unprecedented integration with global markets has raised foreign institutional investments and governance scrutiny. In India, capital market reforms have expanded institutional investor participation, including mutual funds, pension funds, and insurance businesses, which impact corporate responsibility (Kamalnath, 2023). Given Investor trust, corporate value, and sustainability increase with effective shareholder involvement in emerging markets.

The problem statement is that shareholder engagement in India is unclear despite repeated governance changes. Minority shareholder voice is limited by promoter-dominated ownership, creating a governance imbalance. Institutional investors are increasingly challenging board decisions, but regulatory ambiguity, conflicts of interest, and decentralisation constrain them (Malenko, 2024). Retail shareholder engagement lags legislative reforms, posing shareholder democracy inclusiveness. In the last two decades, the corporate landscape in India has undergone a remarkable transformation. Shareholders, once considered passive investors in Indian companies, are now emerging as active participants influencing management decisions, strategic direction, and governance practices.

E-voting, stewardship, and proxy advisers are novel governance tools, but outcomes are variable and have little impact on key concerns. Another problem is the lack of actual proof that shareholder activism improves openness, accountability, or company performance. Scandals and government failures often spark reactionary activity. Family and corporate groups can influence minority shareholders due to their weak collective action culture. The gap between shareholder rights' legal recognition and their execution is the study's main problem. It is crucial to determine if shareholder engagement trends may overcome institutional constraints and improve corporate governance in India (Banerjee *et al*. 2025).

1.3 Aim and Objectives

Objectives:

- 'To assess the evolving patterns of shareholders' participation in Indian companies over the last two decades'.
- 'To explore the relationship between shareholders' activism and corporate governance practices in Indian firms'.
- 'To find the impact of changing shareholder participation on board decisions, transparency, and overall corporate performance in India'.

1.4 Research Questions

- 'What are the evolving patterns of shareholders' participation in Indian companies over the last two decades?'
- 'What is the relationship between shareholders' activism and corporate governance practices in Indian firms?'
- 'What is the impact of changing shareholder participation on board decisions, transparency, and overall corporate performance in India?'

1.5 Research hypothesis

H0 (Null Hypothesis): 'There is no significant relationship between changing trends in shareholders' participation and corporate governance practices in Indian companies'.
H1 (Alternative Hypothesis):'There is a significant relationship between changing trends in shareholders' participation and corporate governance practices in Indian companies'.

1.6 Scope of this research

The scope of this research is to examine how shifting shareholder engagement patterns impact Indian corporate governance procedures, with an emphasis on listed companies and institutional frameworks. Institutional shareholders affect board composition, CEO remuneration, environmental and social disclosures, and mergers & acquisitions (Sarhan and Al-Najjar, 2023). The paper investigates how modern governance requirements and India's developing capital market interact during the past decade. Indian experience is evaluated from the perspective of developing economies and how global governance standards are adapted to local conditions. Importantly, shareholder participation will be examined as a vehicle for transparency, accountability, and long-term wealth growth, not just a legal entitlement. The scope includes regulatory research, institutional conduct, and market changes to determine how shareholder engagement is changing Indian governance.

2. Literature review

2.1 Evolving patterns of shareholders' participation in Indian companies over the last two decades

Shareholder participation and corporate governance in Indian companies have changed over the last 20 years. This has also been due to globalisation. According to researchers like Khurana *et al.*, (2025), traditional Indian businesses found promoter families who controlled Indian businesses, with minority shareholders taking on a supporting role. Voting was frequently symbolic at Annual General Meetings (AGMs), where participation was mainly limited due to concentrated ownership.

The researchers like Ramachandran (2025) have argued that regulatory actions like the "Companies Act of 2013, SEBI's Listing Obligations and Disclosure Requirements (LODR)"have proved helpful for shareholders to raise their opinions. Both foreign and domestic institutional investors have become involved and are demanding accountability in areas like sustainability practices, board independence and executive compensation. A more balanced governance model that prioritises accountability and transparency has replaced agency-driven disputes between management and shareholders. However, according to some critics, there are still barriers to shareholder participation in India (Ibanet, 2023). This change has been supported and accelerated by legal and regulatory reforms. The Securities and Exchange Board of India (SEBI), since its establishment, has played a crucial role in modernising governance standards. Through mechanisms such as Clause 49 of the Listing Agreement, SEBI made it mandatory for listed companies to appoint independent directors, establish audit committees, and ensure greater disclosure of financial and managerial decisions. Later, the Companies Act, 2013, introduced sweeping provisions that enhanced the power of shareholders, particularly minority shareholders, by granting rights to initiate class action suits, mandating approval for related-party transactions, and introducing the option of electronic voting. These reforms have redefined the balance of power in Indian boardrooms, creating space for shareholders to actively question, contest, and shape the decisions of companies in which they invest. Large institutional investors and proxy advisory firms are the main participants, while retail investors remain dormant.

Moreover, decision-making authority in promoter-led businesses remains uneven (as shown in Figure 2.1) (Ramachandran, 2025). This raises questions about true inclusivity. According to Banerjee *et al.*, (2025), broad-based shareholder activism is evident in Western governance models, but Indian participation is still developing. However, Sheth (2022) suggests that the Tata-Mistry dispute and other historic cases show how shareholders are increasingly influencing business strategy and leadership choices. As a result, although issues with concentrated ownership and low retail involvement persist, shareholder participation in India is shifting from passivity to assertiveness.

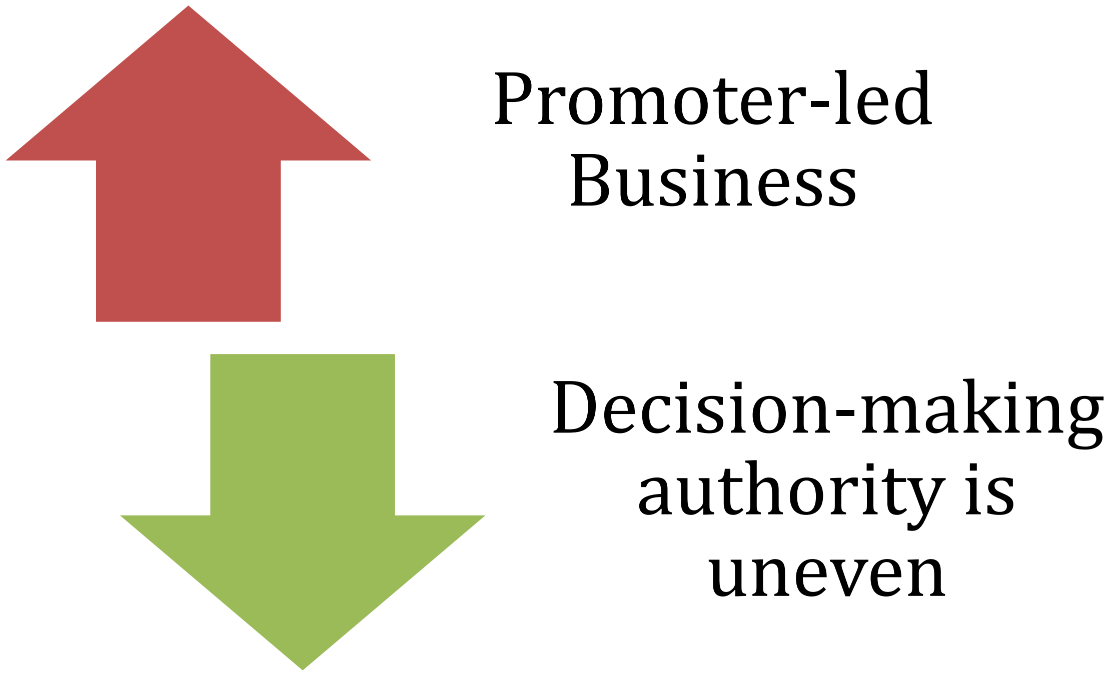

Figure 2.1: Relation between promoter-led businesses and decision-making authority

(Source: Author's Creation)

2.2 "Shareholders' activism" and corporate governance practices in Indian firms

"Shareholder activism" has become a powerful influence on "corporate governance" procedures in Indian companies, especially in the last 20 years. Globalisation, regulatory changes and increased institutional investments have enhanced the involvement of both domestic and foreign shareholders. This has also led to changes in "governance standards". Activism resolves the traditional dispute between owners and managers by guaranteeing accountability and transparency according to "agency theory".

According to Almaqtari *et al*., (2022), a growing number of shareholders are questioning board independence, related-party transactions and executive compensation. The Tata Sons–Cyrus Mistry dispute in 2016 was a noteworthy example in which minority shareholders expressed concerns regarding governance shortcomings in long-term strategy and decision-making. Similar challenges to management regarding boardroom procedures and corporate disclosures were made by activist shareholders in Infosys in 2017, which resulted in important communication and transparency reforms. On the other hand, Das (2024) mentions that the stewardship perspective places more emphasis on the fact that controlling shareholders or promoters act in the best interests of businesses over the long run.

Numerous business associations in India contend that excessive meddling by shareholders could jeopardise stability and strategic direction. For example, advocates like those at Reliance Industries emphasise the value of continuity and strategic autonomy. This helps in long-term investments in technology and infrastructure. SEBI's regulatory changes, which mandate electronic voting, strengthen voting rights and give proxy advisory firms more authority (Tripathy and Kumar, 2022). These have further institutionalised activism. Another striking development has been the empowerment of minority shareholders. The Companies Act, 2013, made it mandatory for related-party transactions to be approved by non-promoter shareholders, thereby providing minorities with a decisive voice in critical financial dealings. Electronic voting, or e-voting, has further democratised participation by allowing investors to exercise their rights without being physically present at shareholder meetings. This reform has been particularly important for retail investors spread across different geographies, who previously had limited access to corporate decision-making processes. The COVID-19 pandemic accelerated this trend, as companies were compelled to conduct virtual annual general meetings, which saw increased participation from small investors who could now join from anywhere. Digitalisation has therefore played a critical role in breaking down barriers of distance, cost, and time, making shareholder participation more inclusive and effective. The critics like Corum *et al*., (2021) believe that active monitoring has replaced passive ownership.

Researchers like Bhimavarapu *et al*., (2022) also demonstrate that increased board accountability and better disclosure procedures brought about by shareholder activism in India have brought "Indian governance standards" into line with international best practices. Overall, shareholder activism has improved corporate governance by increasing board transparency and accountability. However, researchers like Bischoff *et al*., (2025) still question striking a balance between the rights of "minority shareholders" and the requirement for long-term strategic decision-making. The dynamic interaction between promoter-led stewardship and activism-driven reforms in Indian firms is reflected in the changing landscape.

2.3 Impact of changing shareholder participation on board decisions, transparency, and overall corporate performance in India

Board choices, corporate transparency and overall performance have all been greatly impacted by the growing number of shareholders in Indian businesses as shown in Figure 2.2. The balance has shifted in favour of more participatory governance due to globalisation, SEBI regulations and the growth of institutional investors (Tripathy and Kumar, 2022).

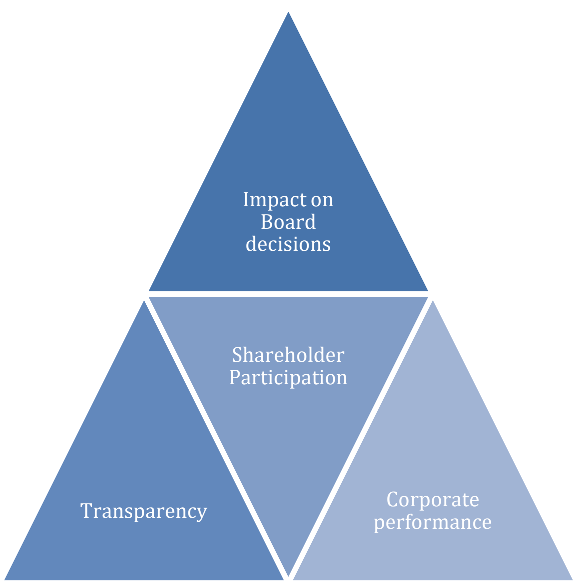

Figure 2.2: Relation of Shareholder performance to board decisions, transparency and corporate performance

(Source: Author's Creation)

Impact on Board Decisions: Today's shareholders have a greater say in approving mergers, executive compensation and board appointments. For example, in 2014, Infosys saw the impact of shareholders when they called for restructuring to address declining performance and backed Narayana Murthy's return. This demonstrates that the increase of shareholder involvement can encourage boards to make strategic realignment (Trivedi *et al*., 2024). There is a difference between professional and promoter-led boards. Family-owned businesses support promoter control.

Transparency Impact: The researchers like Rastogi *et al*., (2024) have observed that firms have been under pressure to improve their disclosure and compliance procedures due to heightened shareholder activism. For example, the "Tata Sons vs. Cyrus Mistry" case in 2016 focused on the demand for transparent decision-making in boardrooms. The unreasonable dismissal of Mistry sparked discussions about governance reforms in promoter-driven companies after being criticised by shareholders and proxy advisory firms.

Impact on Corporate Performance: According to research by Barko *et al*., (2022), prolonged performance and enhanced accountability are frequently associated with active shareholder participation. The positive effects were evident in the way that Infosys' restructuring increased investor confidence. On the other hand, the negative effect was shown through Tatas' protracted governance disputes, which caused reputational risks and stock volatility (Raianu, 2021).

2.4 Related theories

Agency Theory

"Agency theory" posits that managers may put their own interests ahead of increasing shareholder value in the principal-agent conflict between owners and shareholders (Gwala and Mashau, 2023). Minority shareholders have historically had difficulty influencing decisions in promoter-driven Indian companies. On the other hand, shifting patterns in shareholder participation, like the activism of institutional investors, proxy voting and more stringent SEBI regulations, are improving accountability and cutting agency costs. Increased shareholder involvement is changing corporate governance by putting pressure on promoters and boards to be open and honest. This matches management decisions with investors' interests and treats all shareholders fairly.

Stakeholder Theory

The theory mentions that any organisation is liable to all the stakeholders who are involved or somehow influenced by the company's decisions (Mahajan *et al*., 2023). Companies should serve not only shareholders but also other stakeholders such as workers, consumers, regulators and society. Shareholder participation now encompasses assessing more comprehensive governance practices like CSR, sustainability and ethical decision-making. This theory is becoming more relevant in the context of Indian corporate governance. The Companies Act of 2013 requires CSR expenditures, indicating a change from a shareholder-focused strategy to one that involves all stakeholders (Mca, 2013). The demand for accountability from active shareholders in India on both a financial and non-financial level is strengthening governance frameworks. This strikes a balance between long-term sustainable value creation, social responsibility and profitability.

2.5 Literature gap

The researcher has derived certain missing links or gaps from the existing literature. These form the literature gap for the current study. The majority of the literature has focused on board composition, regulatory reforms and promoter dominance. There is sparse information about the changing role of shareholders. There is little knowledge about the growing impact of institutional investors, proxy advisory firms and shareholder activism on governance practices. Moreover, the distinctive ownership patterns of Indian companies are different from global governance trends. Therefore, few studies show the integration of Indian and global governance. The direct effects of shifting shareholder participation on long-term governance outcomes in Indian corporate settings are also sparsely discussed.

3. "Methodology"

3.1 "Research Design"

"Research Philosophy"

The researcher has used the positivism philosophy to gain objectivity in the research through observable facts (Maretha, 2023). The researcher has observed the trends and real examples to gain objective answers regarding the changing trends of shareholder participation in Indian companies. The positivism philosophy also helps to gain the generalised findings that can be applied in the larger contexts.

Research approach

The deductive approach has helped to reach a causal relationship between the concepts and variables. In order to establish a connection between corporate governance and shareholder participation, this study employs the deductive method. Utilising current theories, the deductive approach has assessed shareholder participation and its effects on companies.

Research design

Understanding the traits of particular groups and spotting various trends have both been accomplished through the use of descriptive research designs. The descriptive research design has been used for evaluating shareholder participation in specific situations where it increases the significance of the business. Shingade *et al.*, (2022) mention that the usefulness of descriptive research is in helping to understand shareholder engagement characteristics.

Data collection

Secondary data is needed in developing intricate ideas on a specific topic. To obtain data and access various research papers, secondary research is also beneficial. This saves money and time throughout the entire process.

3.2 Inclusion and exclusion criteria

Eligibility Criteria	'Inclusion Criteria'	'Exclusion Criteria'
Type of Journal	Full-text, peer-reviewed scholarly articles	Abstract-only papers, non-peer-reviewed sources
Language	English	Other languages
Year of Publishing	Within the last 5 years (2020 onwards)	Articles published before 2020
Country	India	Studies focusing on countries other than India
Topic	Shareholder participation, shareholder activism, and corporate governance in Indian firms	Topics unrelated to shareholder participation or governance
Data Source	Google Scholar, government portals, SEBI/Companies Act databases, and authentic journals	Editable/unverified websites, unauthentic sources

Table 3.1: 'Inclusion and exclusion criteria'

(Source: Author's creation)

3.3 Searching Strategy

Boolean operators

"Shareholder participation AND corporate governance AND India" ensured relevant studies, while "shareholder activism OR shareholder engagement" expanded results across variations. These operators improved precision and minimised irrelevant literature.

Key Words

Keywords included "shareholder participation," "shareholder activism," "corporate governance," "Indian companies," "minority shareholders," and "institutional investors." Synonyms and related terms were also used, ensuring broader coverage of literature. The keywords were tested in various combinations to capture emerging trends, reforms, and governance practices in Indian contexts.

Database

Databases such as Google Scholar, JSTOR, Scopus, and SSRN were selected to access peer-reviewed articles, legal analyses, and empirical studies. Government portals like SEBI and the Ministry of Corporate Affairs were also used for regulatory insights.

3.4 Data Extraction and Quality Appraisal

This PRISMA flow diagram shows the screening of studies. From 500 initial records, duplicates, ineligible, and irrelevant papers were removed. After screening and retrieval, 50 reports were assessed, with exclusions based on scope, year, or topic mismatch. Finally, 10 high-quality studies were included for systematic review.

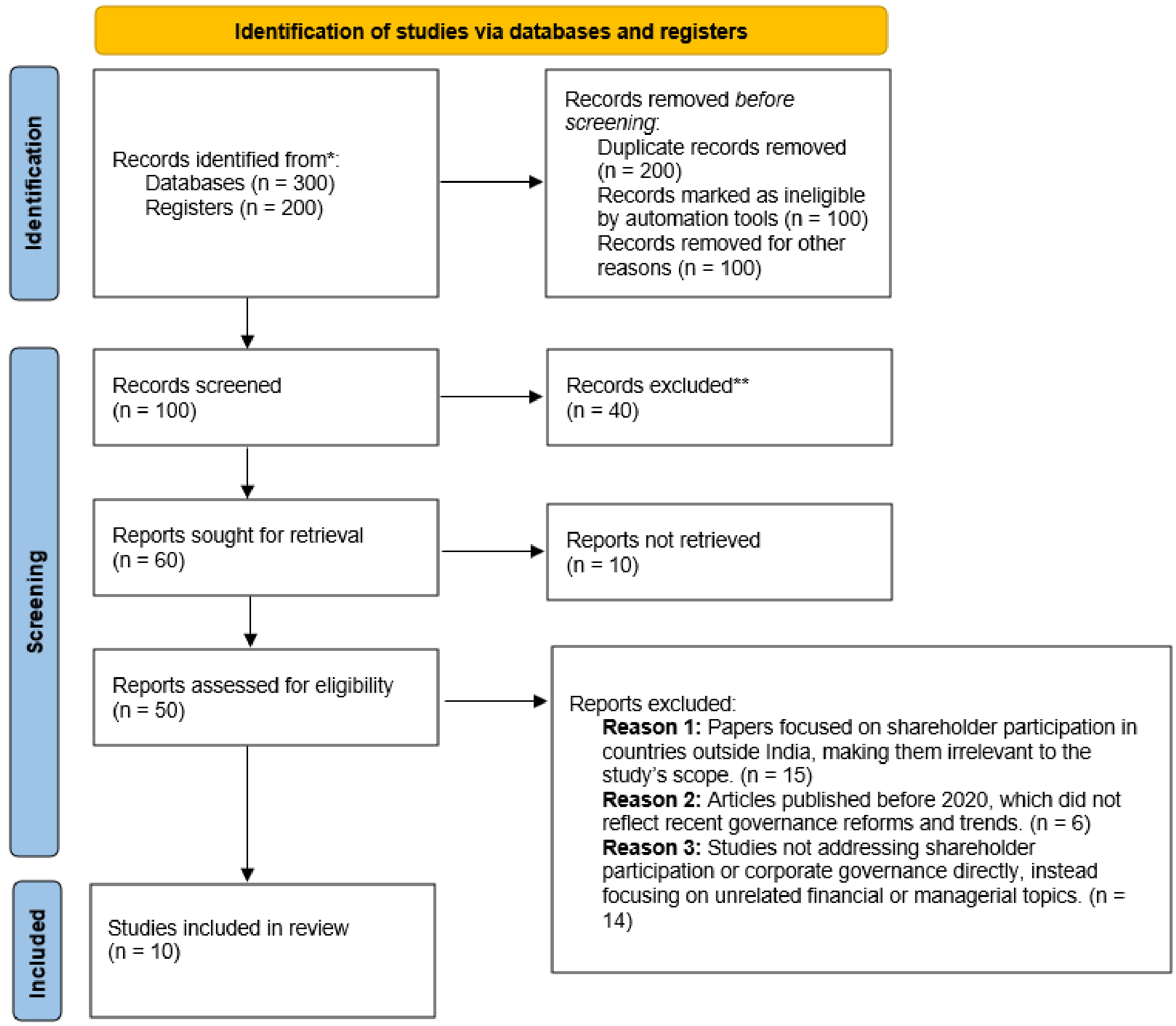

Figure 3.1: PRISMA Framework

(Source: Author's creation)

3.5 Data Analysis

Thematic analysis was undertaken to identify recurring issues in shareholder participation within Indian companies. Themes such as minority shareholder rights, proxy advisory influence, stewardship codes, and institutional activism were systematically coded. This process highlighted governance challenges and evolving participation trends, offering structured insights into corporate accountability and regulatory impact.

3.6 Ethical Consideration

The researcher has considered the academic integrity and maintenance of ethics during the research. The researcher has avoided plagiarism and given due credit to the scholars whose work has been cited. The researcher has also followed the Copyright Act and GDPR guidelines regarding authentic data collection.

4. Findings and analysis

4.1 Findings table

Article	Country	Methodology	Findings
Tiwari (2024)	India	'The research adopts a stratified random sampling method by selecting fifteen listed companies across large-cap, mid-cap, and small-cap categories. Data on shareholder voting patterns were collected from statutory filings between 2016–17 and 2021–22 to identify participation trends'	'The findings reveal weak participation among individual shareholders, whereas institutional investors increasingly exercise voting rights. Institutional activism is positively influencing corporate governance practices in India'
Hasan et al. (2022)	India	'The study used secondary data from Bloomberg's ESG database, analysing 287 firms listed on the NIFTY 500 between 2014–2019. Panel regression models (pooled OLS, fixed effects, random effects) tested the CSR disclosure–financial performance link'	'Findings highlight that CSR disclosure positively influences market-based measures (Tobin's Q), though accounting-based results (ROA) are mixed. Industry-wise, consumer goods and services show positive outcomes, while energy and healthcare sectors report negative associations, revealing sector-specific shareholder governance trends'

Sahasranamam *et al.* (2020)	India	'The study analysed 768 business group firms, 718 family firms, and 78 government-owned firms listed on BSE and NSE (2008–2015). Data was sourced from the CMIE Prowess database, applying panel regression models with controls for firm size, age, leverage, and financial performance.'	'Findings reveal that business group affiliation and family ownership significantly enhance community-related CSR, strengthening governance through shareholder involvement. Conversely, government ownership showed a weak or negative effect, highlighting variations in participation trends across ownership types.'
Preetha (2021)	India	'The study adopts a legal research approach, analysing statutory provisions under the Companies Act, 2013, SEBI regulations, and case examples. It systematically reviews reforms such as e-voting, class action suits, and proxy advisory services to evaluate their impact.'	'The findings show a gradual rise in shareholder engagement due to enabling provisions like postal ballots, e-voting, proportional representation, and stewardship codes. Institutional investors now play a stronger monitoring role, while proxy advisors enhance informed voting. However, retail investors remain largely passive, and family-dominated ownership continues to limit broad shareholder influence.'
Khurana (2022)	India	'The study employs a case-based legal analysis, examining statutory reforms under the Companies Act 2013, SEBI regulations, and landmark cases such as Tata-Mistry and McDonald's to	'Findings reveal growing activism driven by institutional investors, proxy advisory firms, and regulatory reforms. Shareholders increasingly challenge related party transactions, board appointments, and investment

		assess shareholder rights and activism'	decisions. Yet, activism remains constrained by promoter control, judicial delays, and weak retail participation, indicating both progress and persistent challenges'
Niteesh and Sai (2022)	India	'The article uses a doctrinal research method, drawing on statutory provisions under the Companies Act, 2013, case law precedents, and secondary literature to examine shareholder rights, protections, and governance practices'	'Findings highlight that Indian shareholders enjoy rights to vote, attend general meetings, transfer shares, receive dividends, and propose resolutions. However, challenges persist due to information asymmetry, related party transactions, and expropriation of minority rights. Case laws like VB Rangaraj v. VB Gopalakrishnan and Kaye v. Croydon Tramways illustrate protections, while OECD indicators show India ranks high in shareholder protection. Yet, institutional dominance and limited retail activism continue to constrain broader participation'
Kothari (2024)	India	'The study adopts a doctrinal and comparative approach, reviewing Companies Act provisions, SEBI regulations, case laws like Satyam, and secondary literature. It also draws comparisons with governance practices in the	'Findings reveal that while shareholder activism in India is still evolving, institutional investors, proxy advisory firms, and regulatory reforms (e-voting, class actions, stewardship codes) have strengthened participation.

		US, UK, Germany, and Japan to contextualise India's trajectory.	Scandals such as Satyam triggered stricter disclosure and board norms. However, promoter dominance, weak retail activism, and collective action problems persist. The rise of private equity and foreign institutional investors is driving more robust engagement, though activism remains reactive compared to developed economies.'
Mishra (2022)	India	'The study adopts a doctrinal legal research method, analysing provisions of the Companies Act, 2013, judicial precedents, and case studies such as Tata Sons v. Cyrus Mistry. It reviews statutory provisions like Sections 5 and 236, alongside committee reports and SEBI regulations.'	'Findings show that while entrenchment clauses were introduced to protect minorities, they are often exploited by promoters and equity funds to consolidate power. Case examples demonstrate misuse leading to corporate governance abuses, weakening corporate democracy. The balance between safeguarding minority shareholders and avoiding promoter overreach remains unresolved.'
Mukhopadhyay and Mandal (2020)	India	'The article uses a legal research approach, critically examining statutory provisions (Sections 166 and 135 of the Companies Act, SEBI (LODR) Regulations), case law, and policy documents. It also contrasts Indian developments	'Findings indicate that despite statutory recognition of stakeholder theory, Indian governance continues to privilege shareholders. Shareholder rights dominate SEBI regulations and disclosure norms, while stakeholder

		with global governance models to highlight divergences’	protections remain weak and largely rhetorical. CSR obligations are often misused, and courts rarely invoke Section 166(2). The result is a mismatch between theory and practice, with shareholder-centric governance persisting as the dominant model.’
Shingade *et al.* (2020)	India	‘The study employs panel data analysis (PDA) on 37 listed firms that experienced activism events between FY2017–FY2020. Secondary data was collected from CMIE Prowess, using a Shareholder Activism Index (SHA index) alongside firm performance metrics such as Tobin’s Q, market capitalisation, ROE, ROC, OPM, and NPM’	‘Findings reveal activism has a negative impact on valuation (market capitalisation) and profitability (operating profit margin), while its effect on net profit margin, ROE, and ROC is insignificant. Activism remains nascent in India, constrained by promoter dominance and dispersed institutional holdings, limiting its impact on corporate performance.’

Table 4.1: Data extraction

(Source: Author’s creation)

4.2 Analysis

Institutional Investors and Proxy Advisory Firms as Catalysts of Change

In India, institutional investors and proxy consulting firms are redefining shareholder involvement and corporate governance. Institutional investors increasingly vote, impacting governance outcomes, while ordinary investors remain inactive, according to Tiwari (2024). In contrast, Preetha (2021) shows how e-voting, stewardship norms, and proxy advice services have allowed institutions to monitor and improve accountability. Similarly, Khurana (2022) note that institutional investor and proxy firm activism is increasingly contesting related party transactions, board nominations, and investment decisions. He notes that promoter dominance, legal delays, and minimal retail activism limit their influence. These studies show that institutional investors and proxy advice firms are countering promoter control, improving transparency and accountability. Without deeper retail participation and cultural transformations towards collective action, shareholder democracy is restricted.

Ownership Structures and Sectoral Variations in Governance Impact

In India, ownership patterns and sectoral features determine shareholder involvement and corporate governance. Hasan *et al.* (2022) found that CSR disclosure increases market valuation in consumer products and services but decreases it in energy and healthcare. On the other hand, Sahasranamam *et al*. (2020) found that business groups and family-owned corporations engage shareholders through community-oriented CSR activities, whereas government-owned firms had poorer governance. Hasan *et al.* (2020) say shareholders want greater responsibility; thus governance demands assist consumer-facing businesses.In contrast, Mishra (2022) note that promoter and state dominance hinder minority shareholder effect and governance. Ownership type and industrial environment determine governance effectiveness, unlike Tiwari (2024), who finds little individual shareholder engagement but increased institutional activism across business types. Overall, ownership structures, sector-specific constraints, and shareholder composition interact to shape governance outcomes in India. Family and business group ownership may increase participation, but government ownership and promoter control hinder democratic shareholder influence despite legal improvements.

Persistent Gaps between Legal Provisions and Practical Realities

Many researchers noticed a mismatch between legislative intent and practical implementation of the Companies Act 2013 and SEBI guidelines, which reinforced shareholder rights. Niteesh and Sai (2022) emphasize that information asymmetry and related party transactions undermine shareholder voting, dividend, and case law rights. On the other hand, Mishra (2022) highlights how promoters and equity funds use entrenchment measures to consolidate control and undermine corporate democracy notwithstanding minority protection. Stakeholder theory is statutorily acknowledged, although Mukhopadhyay and Mandal (2020) remark that courts are reluctant to implement Section 166(2) and CSR duties are often misused. A worldwide comparison shows that while Indian reforms offered e-voting and class actions, they have not attained the proactive shareholder participation found in Western countries, according to Kothari (2024). Instead, incidents like Satyam drive reactive action. Shingade *et al.* (2020) demonstrate that activism in India has not consistently enhanced business performance, with promoter dominance and dispersed institutional ownership affecting valuation and profitability. These findings demonstrate that while India's shareholder involvement law is solid on paper, enforcement, structural ownership hurdles, and inadequate institutional culture continue to hinder governance.

5. Discussion

This research verifies the literature review and shows considerable Indian corporate governance discrepancies. Addressing the first objective of evaluating shareholder participation trends, Tiwari (2024) finds low retail involvement but rising institutional activism in voting results. Ramachandran (2025) argued that investors are empowered by electronic voting and SEBI improvements, yet promoters prevail. Western systems are more inclusive because distributed ownership fosters participation, according to Banerjee *et al*. (2025). India has achieved legal and technological advances, but cultural and institutional barriers limit shareholder involvement democracy.

Khurana (2022) records shareholder activity in opposing related-party transactions and board nominations, supporting the second objective. In contrast, Almaqtari *et al*. (2022) state that activism directly increases accountability by questioning board independence. The Tata-Mistry issue shows that shareholder action may change leadership and transparency in promoter-led enterprises, according to Sheth (2022). On the other hand, Das (2024) proposes that promoter control can also ensure long-term stability. This shows that activism in Indian government is dynamicit delivers accountability but may conflict with promoters' strategic autonomy.

Hasan *et al*. (2022) and Sahasranamam *et al*. (2020) demonstrate the third aim, examining how altering involvement affects board choices, transparency, and business performance. Hasan et al. show that CSR-linked governance benefits consumer goods businesses but hurts energy and healthcare industries. Sahasranamam et al. show family and business group enterprises improving governance through community-related CSR, whereas government-owned firms lag. These findings support Rastogi *et al*. (2024), who found that activism and transparency increase disclosure procedures, but contradict Shingade *et al*. (2020), who found no influence on profitability or valuation. Shareholder involvement may improve governance and accountability, but its impact on financial performance varies by ownership and sector.

The Companies Act 2013 and SEBI rules have not eliminated practical constraints, which permeate all three aims. Niteesh and Sai (2022) emphasize information asymmetry and minority exploitation, whereas Mukhopadhyay and Mandal (2020) emphasize rhetorical stakeholder safeguards and inadequate Section 166(2) enforcement. SEBI's changes boosted shareholder authority on paper but not often in practice, according to Ibanet (2023). Thus, developing involvement, its relationship to governance methods, and its influence on board and company results have been shown, but theory and practice remain in conflict. As shown by the comparative research, India has improved shareholder democracy, but promoter domination and retail activism restrict results.

6. Conclusion

The study demonstrates that shareholder participation in India has undergone significant changes, shaped by regulatory reforms, institutional activism, and technological innovations such as e-voting. Despite legal shareholder rights growth, promoter dominance and retail neglect have impeded engagement. Institutional investors and proxy consulting firms challenge related-party transactions, influence board selections, and increase transparency. Activism enhances governance in consumer-facing corporations but not government-owned or promoter-driven ones.The comparative research shows that shareholder activism has improved disclosure and accountability but has had mixed effects on financial performance. Some corporations have profited from investor confidence and strategy realignment, while others have endured instability, extended disagreements, and value issues. This shows how government failings in India drive activism rather than proactive involvement.

Numerous ways are recommended to link legal frameworks to governance realities. First, awareness campaigns, simplified e-voting mechanisms, and legislative incentives for active engagement must boost retail shareholder participation. Financial literacy helps small investors exercise their rights and reduce institutional power. Secondly, government should protect shareholders. This includes stricter related-party transaction monitoring, faster dispute settlement, and stronger promoter entrenchment clause penalties. This includes stricter related-party transaction monitoring, faster dispute settlement, and stronger promoter entrenchment clause penalties.

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